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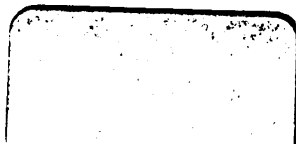
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TRANSPORT SERVICE OF THE GOVERNMENT

HEARINGS

BEFORE THE

U. S. Congress. House.

¹ COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

SIXTY-SEVENTH CONGRESS

FIRST SESSION

ON

H. R. 5348

MAY 25, JUNE 9 AND 16, 1921



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HOUSE OF REPRESENTATIVES.

SIXTY-SEVENTH CONGRESS.

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TRANSPORT SERVICE OF THE GOVERNMENT.

COMMITTEE ON MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Wednesday, May 25, 1921.

The committee this day met, Hon. William S. Greene (chairman) presiding.

The CHAIRMAN. The committee will kindly come to order for the discussion of bill H. R. 5348 which follows: 57

A BILL To amend sections 17 and 19 of the merchant marine act, 1920.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 17 of the merchant marine act, 1920, shall be amended by adding a new paragraph, as follows:

"Whenever the Shipping Board finds it possible to utilize the transport of the Army, Navy, or Marine Corps as a basis for the establishing of permanent steamship lines, the President may, if he deems it advisable, discontinue such service by the Government and contract for a period not to exceed 10 years with the new service proposed: *Provided*, That no contract shall be made with any steamship company whose ownership is less than 75 per cent American, and all of whose ships, owned directly or through subsidiaries are registered or enrolled under the laws of the United States."

SEC. 2. That section 19 of the merchant marine act, 1920, shall be amended by adding a new paragraph, as follows:

"(5) That any contemplated extension of service by the Panama Steamship Co. shall be submitted to the Shipping Board for approval, and all extensions of service made by this company since in control of the Government shall be approved of by the Shipping Board, or discontinued, and all freight rates established by this company shall be in agreement with rates established by the board for its operators, and be subject to the approval of the board."

Mr. EDMONDS. Mr. Chairman, at my request the committee has been called together this morning to take up H. R. 5348. This provides for an amendment to both sections 17 and 19 of the merchant marine act of last June. The section particularly before us to-day, and for which the Army appears before the committee, is section 17. It provides that the President may, if he finds it advisable, discontinue the Army Transport Service, the Navy Transport Service, or the Marine Corps Transport Service, and contract for 10 years with a line to do this service.

Mr. HARDY. That is the present law?

Mr. EDMONDS. No; that is what this bill provides. The present merchant marine act has no mention of this service in it. This amends section 17 of the present merchant marine act, and provides that if the President finds he can utilize this Army or Navy or Marine Corps Transport Service for the building of a steamship service between certain points, he can discontinue such Transport Service and make a 10-year contract with such line for the service, the idea being that instead of subsidizing or in any way taking care of this line, through subvention or anything like that, he can utilize this service as the basis for allowing such line to build up a service that may continue.

Mr. HARDY. You mean to say that if we have certain transports now engaged in the service of the Army the Navy or the Marine Corps that are no longer needed for that service, and we desire to establish a line between our ports and somewhere else, the President may lease the vessels now used in this Army Transport Service to a line running between such points, the contract to be for a period of 10 years?

Mr. EDMONDS. No; you are looking at the vessel and I am not looking at the vessel. We will say, for instance, that we are running a line between San Francisco and Manila, which stops at Honolulu and Guam. Now, that service sends out one ship a month—

Mr. HARDY (interposing). That is, the Transport Service?

Mr. EDMONDS. Yes.

Mr. CHINDBLOM. You mean the Army Transport Service?

Mr. EDMONDS. Yes; which is in operation to-day. There is also one, I believe, to Panama and there is also one to Europe.

Mr. MILLS. Carrying freight and passengers?

Mr. EDMONDS. They do not carry outside freight and passengers but they carry Army freight and passengers or people who have a right under the law to ride on those transports, and to have their baggage and materials carried.

Mr. HARDY. We went over on the transport *Great Northern* which was a part of the Transport Service.

Mr. EDMONDS. Yes; and that is a part of the Transport Service now. My idea is to go to a steamship line or have a steamship line come to the Government and say, "You are using one ship a month between San Francisco and Manila"—with its ramifications up to Nagasaki or over to Shanghai or Tientsin—"and we are willing to make a 10-year contract with you to do this service." If such a contract were made then you have basically done something for the steamship company that they can count on as a positive income to utilize toward building up a service or a line between those two countries, the idea being to abandon the Transport Service of the Army and to contract with this new steamship line to carry these men and these things.

Mr. HARDY. Then, as I understand, you do not intend to take the *Great Northern* and lease it to that company under contract, but you intend to displace the *Great Northern* and make a contract with a private corporation to carry the Army and everything else along that route, on which you are now using the *Great Northern* altogether?

Mr. EDMONDS. That is it, exactly. Of course, these steamships could still be used by the new line; they could be leased or sold to such company and utilized by them in that service, if they so desired. But my idea basically is, instead of paying a subvention, to build up, if possible, a line by the utilization of these services. I am perfectly frank in saying to you that it will not cost any more money—and these men in the Army know it as well as I do—to do that necessary work; by making a 10-year contract and having a line established you will have, at the end of the 10 years, a permanent steamship line.

Mr. HARDY. The proposition is to aid a private company by giving them a contract for so much money to do a thing that is now being done by the Army transports.

Mr. EDMONDS. That is it, exactly. This is not any new thing; it is not a new thing of mine. England has always done this in building up lines to her colonies and Japan is doing it to-day. I traveled on

Japanese steamers over in the East, and I found these contracts with the steamship companies, and Japanese officers and privates traveling on those steamers. It is my idea that in this way we will build up a permanent establishment, because it will provide such a steamship line with an income from the Transport Service, and then the company will start to build that service up with other freight and other passengers.

Mr. HARDY. Ultimately it means the abandonment or abolishment of the Army Transport Service and paying some private individual a subvention, or whatever you might call it, for the performance of that service for the Government?

Mr. EDMONDS. That is true, and as long as that service is necessary; it may not be necessary in the Philippines for a long time, but as long as that service is necessary to Haiti, to Panama, or to Europe. If that can be used basically to build up a line, and we gradually withdraw from those activities, we will then have a line established that will be permanent and which will go ahead and do business. England is using it to South Africa and in Australia, and there is no reason why, in making contracts with steamship lines, you could not provide for the use of their steamers in time of war. If there is a man who would come to me and offer to do this service at the same price, and I know that I accomplish the establishment of a steamship line between certain points, I can not for the life of me, see why he should not be allowed to do so.

Mr. HARDY. I understand your proposition.

Mr. CHINDBLOM. Would you pay the same rates on behalf of the Government as are paid by private persons for passage and for freight?

Mr. EDMONDS. No; that would be subject to contract. My own opinion is that you could probably get a man to contract for the service, the actual necessary service, and that it would not cost you any more than the service to-day with the unnecessary part of it eliminated and not added in as it is in the case of the Army Transport Service. You want to understand that in the transport service across the Pacific there are a great many people not connected with the Army that ride on the transports, and that is true on the Atlantic. I understand that the first transport built at Hog Island went to Porto Rico with a cargo of school-teachers. I do not know what they were doing on the transport, but I do know that on the first trip made by the first transport built at Hog Island the cargo consisted of school-teachers going to Porto Rico. I do not see any obligation on the part of the United States Government to carry school-teachers, nor do I see any obligation to carry college boys to the Olympic games.

Mr. HARDY. It is possible that they were not given their passage but were charged the added expense of the trip. For instance, on the trip we took, to be perfectly frank about it, we paid \$1.75 per capita for our bed and board, and we were given to understand that that paid all the expense incurred by the Government by reason of our going. If the transport was going to Porto Rico and took these people at just their added cost, there was no loss to the Government and no profit.

Mr. EDMONDS. I think you will find that in all probability they carried the school-teachers for \$1.75, and that there was nobody else

on board and no reason for the trip. It was simply a round trip that carried the teachers; but I do not guarantee that statement, because I have no proof of it at all.

Mr. SCOTT. This statement is true, that the Army transports for years have been carrying the Delegates from the Philippine Islands to the United States free of cost, except for a per diem of \$1, or something like that.

Mr. HARDY. \$1.75.

Mr. SCOTT. Well, it has not been \$1.75 until very recently; originally it was \$1 a day, and that rate was based on actual cost. Now, these Delegates have been coming over here and collecting approximately \$30,000 for mileage from the United States Government, while they actually came over on Government transports and paid \$1 a day. I simply show that in connection with the operation of the Government transports.

Gen. CONNOR. That is quite likely, but it is in accordance with law.

Mr. SCOTT. There is nothing in the law that precludes it and I am not criticizing it at all.

Gen. CONNOR. There is a direction in the law to do it.

Mr. EDMONDS. I am not making any criticism of the Army or Navy Transport Service, but I do say that a number of conditions have crept into the use of these services that have made them expensive to the Government; in other words, it is an unprofitable proposition. Suppose it costs you, we will say, \$50,000 or \$100,000 to make a round trip to the Philippine Islands, and that same service would cost you, under contract, less than \$100,000, when you cut off the unnecessary people that were riding and let them pay their right fare. If you did that you would be able to utilize some steamship company and build up the steamship proposition, even if you were paying regular fares, which I do not think would be the fact. The English Government does not and the Japanese Government does not, and I think any steamship line would contract at a fair rate to carry these men and people. Now, I have in mind that we could establish a line running through the central Pacific to Manila, and I have in mind that we could take care of Europe basically for some little time—the greater the time the better, as far as I am concerned—and that we might do something in the Caribbean Sea. I am sure we could take care of those three places, and when we made a contract with these men we could force them in the contract to take the Shipping Board's boats or the Army transports now in service. That would be one thing we could do, and the second thing we could do would be to require them to be at the service of the Government in case of war.

I can not see any particular objection to the bill and I think it ought to go into existence. Further than that, I am very much opposed to extending this Army Transport Service, and I understand there has been an attempt made recently to make some extension of the service, either in the Army or the Navy, I do not know which. I might say to you that we had four Shipping Board boats running from Houston, Tex., to Philadelphia, Pa., and they are laid up to-day for the simple reason that the Panama Steamship Co., when they could not get return cargoes, went over to Tampa and tried to get phosphate to bring up here. The Shipping Board made a rate of \$6 a ton to bring that phosphate up here; they went down and put in their

bid at \$6 a ton and found that the Panama Steamship Co. had bid \$4 a ton to bring that up, and here was another Government activity that took the business, and these four ships to-day are laid up.

Mr. HARDY. That is not in the transport service.

Mr. EDMONDS. No; it is in the second section of the bill, which, of course, will come up later on.

Mr. MILLS. What would become of the vessels now employed in the Army transport service?

Mr. EDMONDS. They would have to be absorbed.

Mr. MILLS. Is there any authority in law for the disposal of those vessels?

Mr. EDMONDS. I believe the merchant marine act permits any ships of that character to be transferred to the Shipping Board to be utilized.

Mr. MILLS. I was looking at section 17 and that section does not appear to authorize the Shipping Board to take over any such vessels, and I was wondering whether you needed something more in your bill.

Mr. EDMONDS. It may be possible that we will find something else necessary.

Mr. MILLS. But it is your impression that the Shipping Board has authority to take over these vessels?

Mr. HARDY. There is a section in the law which gives that board authority to take over all vessels owned by the United States, either by purchase, construction or otherwise. I do not remember what section it is.

Mr. MILLS. Does that section include vessels now operated by the War Department?

Mr. HARDY. No; they are exempted.

Mr. WHITE. Look at section 4 and see whether that section of the bill covers it.

Mr. MILLS. I do not want to go into that at this time.

Mr. EDMONDS. Section 4 would cover that.

Mr. SCOTT. Under the present law, Mr. Edmonds, the President has the right to transfer the control of the docks, warehouses, and terminal facilities of the Army or the Navy to the Shipping Board.

Mr. EDMONDS. Oh, yes.

Mr. SCOTT. And this is simply an extension of that authority?

Mr. EDMONDS. Yes.

Mr. CHINDBLOM. I call your attention to the proviso at the end of section 4:

Provided, That all vessels in the military and naval service of the United States, including the vessels assigned to river and harbor work, inland waterways, or vessels for such needs in the course of construction or under contract by the War Department, shall be exempt from the provisions of this act.

That is at the end of section 4 of the merchant marine act of 1920.

Mr. HARDY. In other words, section 4 authorizes the Shipping Board to take over all vessels owned by the Government except those in use by the military or naval service.

The CHAIRMAN. This bill was put in at just about the time the war was over, and we did not get into it all of the good things that should have been put into it, and if they were not put in we should put them in, take the Government out of business, and make it possible for the people to get a chance to live.

Mr. CHINDBLOM. Before we leave these preliminaries, reference was made to the college boys who were taken over for the Olympic

games. I want to say for the record that that was done pursuant to an act of Congress.

Mr. WHITE. We passed a resolution directing that.

Mr. CHINDBLOM. It was a direct resolution, which it was my pleasure to support.

Mr. EDMONDS. But had we not done that the boys would have paid their way, which they should have done, because they were paid by their colleges to go over, and a good many people went over on those ships that did not belong on them.

Mr. CHINDBLOM. If that was so that was not pursuant to the resolution of Congress.

Mr. EDMONDS. They immediately got more delegates when it was made cheaper.

Mr. FREE. Let us get down to the bill and forget the games for a while.

Mr. EDMONDS. We have invited the representatives of the Army Transport Service to appear before the committee for the purpose of giving us the cost of their service, what they are doing, what they propose to do, and what their plans are. Gen. Connor is here, with Col. Yates.

STATEMENTS OF BRIG. GEN. W. D. CONNOR AND COL. A. W. YATES.

Gen. CONNOR. Do you care to have me talk to your statement, Mr. Edmonds?

Mr. EDMONDS. If you want to do so; yes.

Mr. CHINDBLOM. Let me ask a question or two. Is this bill, H. R. 5348, in any way supported by the War Department?

Gen. CONNOR. Not that I know of; no, sir. There is nothing in it that would lead us to believe that the service will be any better or that the service will be any cheaper, and, I dare say, that is what Congress desires to obtain through the bill.

Mr. CHINDBLOM. You are not here, then, this morning supporting it or coming from the War Department?

Gen. CONNOR. I am here from the War Department, and all the studies we have made lead us to believe that the Transport Service as run to-day is more economical than it would be if the method suggested in the bill were followed and it was done by contract with civilian firms.

Mr. CHINDBLOM. What I mean is this: You are here to state some views upon the matter but not directly to voice any opposition to or advocacy of the bill on behalf of the War Department?

Gen. CONNOR. No, sir. I was asked for certain information that was enumerated in a letter from the secretary of the committee, and was directed to come here. Of course, I am entirely available for any questions that the committee may want to ask, but, naturally, I can not speak for the Secretary of War because I have not been delegated to do so. I am here to give my opinions as Chief of the Transport Service and to give any information the committee wants.

Mr. EDMONDS. I think I can settle that question. The President asked for a hearing on the question.

Mr. HARDY. You are the Chief of the Transport Service?

Gen. CONNOR. Yes. I want to start off and disabuse your minds of the impression, which is apparently prevalent in some of your

minds, that there is an abuse of the Transport Service. I have been in charge of it for almost a year, and during the time I have been in charge there has been nobody carried on an Army transport nor any freight carried on an Army transport not expressly authorized by you gentlemen here, in accordance with the laws and the regulations built up under those laws.

Mr. EDMONDS. I do not want you to understand that I said that, because I did not mean to say that.

Gen. CONNOR. But the impression is very rife among the majority of our citizens that the Army Transport Service is there and that anybody who wants to go, can ride. I have had applications from almost everybody in the Union that ever heard about it, down to one lady whose only reason to support her desire to go to Europe on an Army transport was that she was "a frail little body." She had no connection with the Government, but said that as the boats were running she could see no reason why she should not ride. I do not know what went before but since I have been in charge of the Transport Service there has been nobody carried on the boats not authorized by law or the regulations made in pursuance of the laws passed by Congress. So if you hear of anybody going you will know it is in accordance with the law.

You spoke of school teachers. There is an express act of Congress which provides that the employees of the Porto Rican Government, and their families, shall be carried on Army transports, and it does not even limit it to travel on official business; it apparently leaves it to the simple statement that they want to travel. In the Army appropriation bill I have asked to have that rectified and made to apply only to travel on official business, and that is the way we are interpreting it at the present time. Therefore, so far as abuse is concerned, there is no abuse on our part.

The Army Transport Service is the agency of the War Department to provide the transportation necessary for our overseas garrisons. We are operating at present four lines from the United States, the line to Antwerp, the line to Panama, the line from San Francisco to Manila, via Guam and Honolulu, and the line to Alaska, which combines the care of the cables to Alaska and the care of any garrison we may have there.

We serve not only the Army but practically all other departments of the Government, because from time to time laws have been passed by Congress directing us to carry the Navy, the Marine Corps, Members of Congress, employees of the Philippine Government, the Hawaiian Government, the Porto Rican Government, and the Coast Guard service, in fact, almost all the departments of the Government are now included in the people who are to be carried by the Army Transport Service. As to some of these outside agencies it is directed that they shall be carried at the cost of subsistence only; certain employees who receive mileage are carried, and the bill is paid to the War Department by the department requesting their transportation, but the majority of cases are those in which a person is authorized to travel on the payment of subsistence only. This does not take into account the expense of the transport or its upkeep, or of the necessary overhead to carry on the service.

The main point about having a transport service is that in time of peace the transport service is a very small organism in the War

Department, and in time of emergency the War Department naturally gets its ships from the Shipping Board or from private concerns, private shipowners. The cost of the service has been kept very accurately, and I speak conservatively when I say it is at least 20 per cent under anything I have reason to believe we could get through commercial firms.

In addition to that, it is a very flexible agency that the Secretary of War can use in shipping materials from New York to San Francisco when it is convenient or the markets are better than at San Francisco, and thus save the freight across the country. As it is now, it is very easy to shift a ship from the Antwerp run to the Panama run or send a ship around into the Pacific for the Manila run, which would not be the case if the Transport Service were operated by any other agency of the Government. Of course, if it were let by contract that criticism would not apply.

One of the greatest reasons, to my mind, for maintaining the Transport Service as an agency of the Army is that it builds up an Army personnel in time of peace that knows something about the handling of ports of embarkation and the method of handling troops and supplies on to and off of ships, so that in case of war we will have a nucleus from which we can expand. There are only, say, perhaps 25 or 30 officers in the Transport Service to-day, and that is a very small proportion of the Army, naturally, but they form a nucleus from which you can build up a personnel for the places that must be held by trained army officers in a transport service for overseas work in case of emergency.

Mr. MILLS. Could you not accomplish substantially the same thing by enlisting the services of private individuals engaged in that work in an emergency?

Gen. CONNOR. No, sir; not at all. There is one thing they lack. They have the technical skill, they have the enthusiasm, they have the good will, and they have everything, except that they do not and can not get a knowledge of how their specialty ties up in the military machine. To be very frank, I think that in a great many cases during the recent war a man was put in at the head of a department because he knew a particular job, when he knew nothing about the military needs or the way his specialty worked into the military machine. This resulted in very much poorer service than as if we had taken a person who had a military training and allowed him to direct the energies of the technical people because, unfortunately, in time of war it is the military need that controls. So I would say it requires a man with military training at the head, one who knows; he must not be a numbskull or absolutely ignorant about the transportation service; he must know the transportation service in a very detailed way, but under him should come the experts from civil life.

Mr. MILLS. But your experts from civil life, if this work were handled by them, would require the knowledge which comes from direct contact with the military in time of peace, would they not?

Gen. CONNOR. I do not think so, because it would be handled as a commercial matter and they would see nothing of the directing military reasons.

Mr. SCOTT. Can you handle your transport service as economically as private concerns?

Gen. CONNOR. I think we can when you take into consideration the fact that private concerns must pay a dividend on the funds invested.

Mr. SCOTT. What are you doing with the *Great Northern* and the *Northern Pacific*?

Gen. CONNOR. We are trying to lease them to private concerns. The *Great Northern* is in San Francisco and the *Northern Pacific* in New York.

Mr. SCOTT. You are not operating them at all?

Gen. CONNOR. No; they are too expensive for peace times service.

Mr. SCOTT. During the war the Emergency Fleet Corporation built, as I recall, about 11 transport ships of the *Cantigny* type.

Gen. CONNOR. Yes, sir.

Mr. SCOTT. What are you doing with them?

Gen. CONNOR. We are operating three of them on the Antwerp and Panama runs, and the other eight are being held in reserve. We are trying to place them in commercial service through the Shipping Board but have not been able to reach any agreement with the Shipping Board on the matter.

Mr. SCOTT. I wish you would elaborate on that. I would like to know the negotiations between the Army Transport Service and the Shipping Board relative to the return to the Shipping Board of these *Cantigny* ships and what you actually think of their value. I think it has a bearing on the whole proposition and we would be glad to have that statement in conjunction with your statements in regard to this particular matter, because I think it dovetails into the whole picture.

Gen. CONNOR. The War Department went to Congress and asked for certain money for transport construction. This finally resulted in the construction of 11 ships of the *Cantigny* type, the *Cantigny* being the first one that was delivered. These are ships of a dead-weight tonnage of approximately 7,300 tons, and were paid for from the funds then available to the United States Shipping Board. These were finally completed; we got the last ones in about the first part of this year, and we now have in operation three of them and there are eight that are laid up.

Mr. EDMONDS. What is the size of those ships? They are all the same size, are they not?

Gen. CONNOR. Yes, sir.

Mr. EDMONDS. What is their passenger-carrying capacity?

Gen. CONNOR. They carry 76 first-class passengers, 42 second-class passengers, and 977 third-class passengers.

Mr. EDMONDS. Do they carry any freight?

Gen. CONNOR. Very little, when they are up to capacity in passengers; at that time they carry 637 tons of freight in addition to the full passenger complement.

Mr. HARDY. With that passenger-carrying capacity you can add 637 tons of freight?

Gen. CONNOR. Yes; about that much.

Mr. MILLS. Do you know what they cost?

Gen. CONNOR. You mean cost the Army?

Mr. MILLS. No; what did they cost to build?

Gen. CONNOR. About \$485 a ton.

Mr. EDMONDS. Did that include what you spent on them after you got them or does that just cover the original cost?

Mr. MILLS. Have you authority in law to exchange vessels with the Shipping Board?

Gen. CONNOR. I can not place it in this act, but I think there is full authority in the act for the President to transfer to the Shipping Board for their disposal anything that he wants to.

Mr. CHINDBLOM. You mean the merchant marine act?

Gen. CONNOR. Yes.

Mr. HARDY. I think the merchant marine act authorizes that.

Gen. CONNOR. I am quite sure it does, but I can not place my finger on it in the act.

Mr. SCOTT. You are trying to get the President right now to take that action, are you not?

Gen. CONNOR. I do not know what the Secretary has done about it, but that would be my recommendation.

Mr. SCOTT. In other words, you want to turn back the ships which are unsuitable for the service which you indicate and get twin-screw ships?

Gen. CONNOR. Yes, sir.

Mr. SCOTT. Such as the *Hawk Eye State*.

Gen. CONNOR. Our proposal was two of the *Hawk Eye State* type.

Mr. SCOTT. Ton for ton?

Gen. CONNOR. That is what we offered as a proposition. Then we asked for certain freighters to replace the old freighters that we have had, and in return for them we were going to offer the four old transports on the Pacific, to be used by the Shipping Board until they could find some suitable time to dispose of them, because there is no market to-day.

Mr. SCOTT. Of course, the *Hawk Eye State* and her sister ship—I do not recall the name just now—are now being operated by the National people from Baltimore to Honolulu and San Francisco by way of the canal.

Gen. CONNOR. The ships I had in mind are two ships that have not yet been allocated and are yet to be delivered, one in May and one in June.

Mr. SCOTT. Do you know how much those ships cost?

Gen. CONNOR. Not officially; no.

Mr. SCOTT. Approximately \$8,500,000.

Gen. CONNOR. A piece?

Mr. SCOTT. Yes.

Gen. CONNOR. I did not know that.

Mr. EDMONDS. If you did not carry soldiers in this Transport Service are the ships so constructed that you could use that space for freight?

Gen. CONNOR. Yes; the standees can be taken down. When a soldier is carried he displaces about 4 tons of freight, and where you can take enough soldiers out to secure a compartment you can fill that compartment with freight.

Mr. CHINDBLOM. Are they built so that a compartment can easily be taken out?

Gen. CONNOR. Yes; you can take down 100 standees with three or four men in about an hour.

Mr. EDMONDS. They would not be of any use for bulk freight but for package freight.

Gen. CONNOR. Yes; package freight altogether; a bulk freight ship is a different ship altogether.

Mr. EDMONDS. You could not use them as bulk freight ships?

Gen. CONNOR. No; bulk freight ships have to be sealed inside for cargoes like grain, and these are not especially fitted for that.

Mr. EDMONDS. But they would be all right for carrying merchandise?

Gen. CONNOR. Oh, yes; general merchandise. The reason I gave for the maintenance of the Transport Service, I think, is one of the principal ones; that is, in order to have a personnel that is conversant with the subject of water transportation. There have been suggestions made from time to time that the Navy should take over the transport service or that it should be let by contract. The main objection to turning it over to any other department of the Government is that concentration into one very large agency is not a guaranty of efficiency. After a service gets to a certain size or when a service is a part of another service, like the Quartermaster Corps, where all of our materials and supplies are purchased in great bulk, it is very questionable whether there is any economy in transferring it to another department of the Government.

Mr. HARDY. Your idea is that a thing may get so large that it ceases to be economical because it is unwieldy.

Gen. CONNOR. Yes. I stated it as my opinion but it is a fact; I have seen that happen, and I know that very often an activity gets so large that it is beyond the grasp of one man.

Mr. SCOTT. I do not want to interrupt you, but I want to get your idea. As I understand, you say that by a continuation of the present system a greater efficiency in the transport system is insured; that is, by its being under the control of the Army?

Gen. CONNOR. Yes; that is my opinion. I think it would be cheaper in money for the Government, and that in addition there is the indirect advantage that we get from training that can not be measured in dollars and cents.

Mr. SCOTT. In other words, you think that during the war the transport service which you rendered was better than a similar service would have been on the part of an individual or a corporation?

Gen. CONNOR. Yes; there is no question about it, and in time of war you can not possibly run it by contract.

Mr. SCOTT. This may be a little beside the question—

Gen. CONNOR (interposing.) Mind you, I only speak for the actual running of the ships in time of war, because, under the circumstances, the Army Transport Service only goes from shore to shore.

Mr. SCOTT. The transportation service, you say, constituted the carrying from shore to shore, but had nothing to do with internal movements?

Gen. CONNOR. It was separate.

Mr. SCOTT. But that was being handled by a branch of the Transportation Service of the Army, was it not, a branch of your division?

Gen. CONNOR. But when you spoke of the Army Transportation Service I thought you were speaking about it as a whole. At present we have four branches—a rail transportation branch; an Army Transport Service, which is water transportation; a motor transportation branch; and an animal transportation branch.

Mr. SCOTT. Then it is an accurate statement that a part of your division handled the transportation inland?

Gen. CONNOR. During the war, yes; but as a separate service of the War Department.

Mr. SCOTT. This may be a little beside the proposition, but my attention was called some time ago to some 50,000 pieces of baggage that were turned over to the American Express Co. in Paris by the Army Transport Service. I had several letters from boys who had received communications from the American Express Co. asking them to remit the sum of \$45.67 and that the American Express Co. would send to them in the United States a package made up of Army blankets, pictures of their families, and other personal equipment that they had with them in connection with their service abroad. This is rather beside the question, but I would be glad to have you indicate if that constituted a part of your transportation service.

Gen. CONNOR. No; the statement has been mixed up. We never turned over anything in France to the American Express Co., but men going through France found themselves loaded up with a great mass of stuff; they brought everything to France that they thought they would need, and when they landed in France they found that it was more difficult to get transportation than they had been led to believe, so that they stored their effects with the American Express Co. and the other express companies in Paris and elsewhere in France, and the charges you speak of were storage charges, just the same as a certain amount of storage would accrue if you left your trunk at the railroad station for a month or put it in one of the storage warehouses here. Those things were stored voluntarily with these express companies and they charged storage.

Mr. SCOTT. That may be true in some particular case, but I think I had three cases called to my attention and in each one of the three I insisted on a bill of particulars as to the stuff which was left by these men, and I found that this stuff was left with their commanding officers at the time they went to the front. One boy, who was a lieutenant in the aviation service, left two pairs of puttees, which were in excess of his actual carrying capacity, one extra blanket, some dishes, and things of that character.

I will say that 90 per cent of all the articles left by that boy in his kit were turned over by him to the commanding officer and not to the American Express Co., because he never saw the American Express Co.; he turned them over to his commanding officer prior to leaving for the front, and when he came back he was unable to find his property. A year later he received this notice from the American Express Co.; that on the payment of some forty-odd dollars his stuff would be sent to him. I took it up with your transport service and tried to find out how it came to get in the hands of the American Express Co., and the peculiar thing about it is this, and I am stating this thinking that you might throw some light on it, if possible, in connection with the adequacy of your service. He said that when he was notified by the American Express Co. his name was accurately written in the letter and was accurately written on his kit, but after I had taken it up with your service and after a delay of some three or four months I was notified by your service that the goods which had been found by the American Express Co. had been discovered not to be the property of the man who had been notified and, therefore, he need not pay any attention to the notice.

Gen. CONNOR. Let me disabuse your mind of one thing. I know we never used the American Express Co. to transport anything in France; if his commanding officer left it with that company he did just what you would have done if it had been left with you. He no doubt said, "What am I going to do with this? I have got to safeguard it, and I will put it with the American Express Co." And possibly that is the way this stuff got into the hands of the American Express Co., because I know we never used the American Express Co. to transport anything over there.

Mr. SCOTT. Did they use the American Express Co. for storage?

Gen. CONNOR. No; the people who used the American Express Co. did so of their own volition. In addition to that, the property evidently was the man's own property because an officer in the Aviation Service would have no Army blanket, Army dishes, etc., that is, he would have no right to have them unless he had purchased them.

Mr. FREE. I have got to go shortly and we have discussed everything in the world but this bill. Can we not get down to it?

Mr. SCOTT. My inquiry along that line was made because these gentlemen are insisting on the efficiency of this service, and I was anxious to remove any doubt about it; I wanted to be fair. So I hope you will bear with my digression; I admitted it was a digression but just wanted to find out something about the efficiency of this service.

Gen. CONNOR. I can say, because I know, that the people who left those things with the American Express Co. and other express companies in France did so as a matter of private operation, and I know the way a man would leave his property in a French village and trust a madam to get it out for him. I know of cases where the property arrived at port six months after the man had sailed.

Mr. MILLS. I would like to get some figures showing the cost of operation by the Army Transport Service and private operation, because it is not a matter of opinion. Can you give us any accurate figures?

Gen. CONNOR. Yes. I will write that in the hearings, because I have a mass of data here which would not be very intelligible if it were just put in the record in this way. I can give you all of that in tabular form, and I think that would be much better than to have it written into the hearings in this way.

Mr. WHITE. Will you also include in the record a list of your army transports, how many of them are in use, how many of them are idle, and on what routes they are used?

Gen. CONNOR. I have all of that, and I will write that into the record in tabular form.

Mr. MILLS. And, if you can, will you include in those figures the capital cost of the vessels?

Gen. CONNOR. I have all of that.

Mr. MILLS. And the interest charges and insurance rates that would be paid by a private corporation?

Gen. CONNOR. Yes, sir.

Mr. EDMONDS. In other words, charge up all of your overhead expense just as a private corporation would.

Gen. CONNOR. Including depreciation?

Mr. EDMONDS. Yes. I think the Shipping Board has a depreciation list which it would be fair to use in this connection. I think it is 4 or 5 per cent the first year. The English estimate 4 per cent the first year and 7 per cent the second year.

Mr. HARDY. It seems to me we should also have a comparison based on the present values and not on the war cost.

Mr. EDMONDS. I think if we have the tonnage value we can determine that ourselves.

Gen. CONNOR. I will write in the hearings the information suggested.

Mr. HARDY. What I meant was that the war cost would simply be no basis at all, and we would like to have some idea as to what these ships are reasonably worth now.

Mr. EDMONDS. That would be all right, but it would make a difference in your depreciation, would it not?

Gen. CONNOR. Yes; naturally; and I think that is fair because \$487 a ton is beyond anything I ever heard for shipbuilding, and I should say that we could certainly write up a figure that will be reasonable.

Mr. EDMONDS. I notice you have prepared some statements. Do you want those put in the record as giving the information suggested, or do you want to prepare that information?

Gen. CONNOR. I would rather put them in the hearings in tabular form so that it would be more comprehensive.

Mr. DAVIS. Are most of these Army transports in condition and in the actual transport service or are they in the form of ordinary passenger vessels?

Gen. CONNOR. All the ships we have are in the form of transports and are capable of carrying on that business.

Mr. EDMONDS. In connection with this service you use some piers and wharves?

Gen. CONNOR. Yes, sir.

Mr. EDMONDS. You are going to include those in the statements you intend to file in the hearings?

Gen. CONNOR. Yes.

Mr. EDMONDS. You have some of those leased?

Gen. CONNOR. Yes. At present we are using piers in Hoboken, South Brooklyn, and San Francisco.

Mr. EDMONDS. The piers in Hoboken are fairly well leased, are they not?

Gen. CONNOR. We have transferred to the Shipping Board all except 4, 5, and 6, and the President has allocated one of those, No. 1, to the Panama Steamship Co. We will turn over the remaining ones to the Shipping Board undoubtedly before the end of this year, and I think probably during October.

Mr. EDMONDS. You are going to use the South Brooklyn piers altogether?

Gen. CONNOR. We have turned over one of those to the Shipping Board, have leased one, and we have retained two, a covered one and an uncovered one, for Army use, at which all the activities of the Army Transport Service in New York will be concentrated.

Mr. EDMONDS. Suppose you give us now a general outline as to how much you are spending to-day, and then add in the record any statement you desire to make in addition.

Gen. CONNOR. I will put all of that in the record, and I will also write in the record the Navy personnel, the Army personnel, the marines, the Polish-Americans, the Czecho-Slovaks, prisoners of war, and so on, who form the great class of people that we have been carrying.

Mr. EDMONDS. I am not making any criticism of the department, but I think if it is possible to utilize this service—without costing any more money—for the purpose of building up steamship lines, we ought to do it.

Mr. HARDY. If the general can give us the comparison that was asked for by Mr. Mills I think it would help us, and we will be better able to understand the figures if he will give a general outline statement of it.

Gen. CONNOR. That was the statement in regard to the capital charges, interest, and insurance.

Mr. HARDY. The comparative cost of the Government transport service and its cost under a private corporation.

Gen. CONNOR. I will have that data prepared and will be very glad to write the full data into the hearing.

Mr. HARDY. It would suit me very well if the general could be permitted to give his general views in regard to the first section of this bill and the reasons for his conclusions.

Gen. CONNOR. In the first place, I do not know exactly what the bill means, whether it means exactly what it says, because it says the President "may, if he deems it advisable." I think the President might do it to-day if he deemed it advisable, because in the matter of excess freight, where we have more freight going to Antwerp or to Manila than we can carry on the transports we can now ship it by contract.

Mr. EDMONDS. But he can not do it by private contract for 10 years.

Gen. CONNOR. No; that is beyond his power.

Mr. EDMONDS. And nobody would want to consider it if it were based on a one-year contract?

Gen. CONNOR. No. If this is intended to be comprehensive and to let him use his judgment that is one thing, but if it is intended to be directive it would be, to my mind, undesirable.

Mr. EDMONDS. It is not directive; I will tell you that, and it is not intended to do that; it is simply where it is found possible to utilize it.

Gen. CONNOR. I think the main reason for keeping the Army transports in the Army is to build up a personnel that can handle the service and to have a small nucleus of ships ready for any eventuality that might arise. Our transport fleet can to-day carry somewhere in the neighborhood of 12,000 or 13,000 men, and while keeping up the present runs we would have a fleet available for transporting men in case they might be needed, either in the Philippines or in any other place, like the Vera Cruz expedition or the intervention in Cuba. The nucleus is a small one, both in boats and in personnel, and inasmuch as there would be, to my mind, no saving to the Government in handling it by commercial lines, my recommendation would be that the Army keep the operation of the boats and the trained personnel so that we would have a nucleus in case of an emergency.

Mr. EDMONDS. Where do you keep your vessels when you are not using them?

Gen. CONNOR. We have them laid up in fleets, four at Norfolk, four at Philadelphia, and one or two in San Francisco.

Mr. EDMONDS. Do you keep them in fresh water as far as possible?

Gen. CONNOR. That is not possible, because there is not the depth of water, as a rule, and we can not keep them out of brackish water.

Mr. EDMONDS. In Philadelphia they are in fresh water?

Gen. CONNOR. Yes. I left them there because they happened to be there.

Mr. EDMONDS. Is the depreciation on these ships greater in salt water than in fresh water?

Gen. CONNOR. I do not think it is if the ships have been properly painted; if they have been properly painted with an antifouling and antirust paint I doubt whether there would be much difference.

Mr. EDMONDS. How often do you have to paint them?

Gen. CONNOR. A ship in service ought to be dry-docked, bottom cleaned and painted at least once a year, and if a ship is used in tropical service it ought to be painted more frequently.

Mr. EDMONDS. You think, then, there is not so much depreciation if a ship is kept well painted?

Gen. CONNOR. No.

Mr. DAVIS. How does the size of the Army transport fleet now compare with what it was before the World War?

Gen. CONNOR. We had before the war the present Pacific fleet, the *Meade*, *Kilpatrick* and *McClellan*, and to-day we have, we will say, three vessels of that type in actual service and we have the eight vessels that are now laid up, pending this exchange with the Shipping Board. So I should say to-day we have probably eight transports more than we had before the war, but we are under directions from Congress to sell these old boats and we were going to replace them with new ones, but we have found that they are not very satisfactory.

Mr. MILLS. What is the practice of other nations?

Gen. CONNOR. I think England has had a combined service, but what they are doing to-day I do not know. They have had transports in their Indian trade, and I know they have used P. & O. boats very largely. England has many overseas garrisons, and I think she has both the owned transports and those operating under contract, but I am not prepared to say what she is doing to-day after the war.

Mr. MILLS. What has been her general practice? Was she more inclined to favor commercial vessels or maintain a very large transport service?

Gen. CONNOR. I would like to look that up and make a statement in the hearing because I have not the subject in mind sufficiently to make a statement in view of Mr. Edmonds's statement that it is being done by contract. I would prefer to check it before I made any statement on it.

Mr. MILLS. If you find that the British on the whole have found it more economical to use their commercial lines, would you be inclined to change your judgment in any way?

Gen. CONNOR. Ours is such a small affair that I would be inclined to say no, as it gives a very small fleet from which to build up a personnel that would know anything about overseas transportation.

Mr. MILLS. You lay a great deal of stress on that particular feature, do you not?

Gen. CONNOR. I consider that the main feature; yes sir.

England.—The British military attaché states that prior to the war transportation of British troops and supplies was made in British transports which were vessels taken on time charter for the purpose. At that time when their movements were very regular they practically had a fixed fleet in this service. During the war this transport service was absorbed in what is known as the ministry of transport and up to the present time it so continues. Their method of operation is practically the same as that before the war except that it is not under the war department. The transport service of the war department calls upon the ministry of transport for the service that it needs. In ordinary cases the ships are used for military transports only, the movements being so regulated as to absorb the entire ship. In cases where this arrangement can not be made, the officers or troops, or freight, are moved by contract on commercial ships. Since most of the British ships are subsidized, the ministry of shipping can take over practically any ship that it desires.

Japan.—The Japanese military attaché states that the Japanese transport service is run by the army to supply the troops in Korea, Manchuria, and Formosa; that these ships are chartered ships and they are used exclusively for military transports under the transportation service of the army.

Mr. MILLS. How large a personnel did you have at the time of the outbreak of the war in charge of transportation?

Gen. CONNOR. You understand I was not connected with it at all at that time.

Mr. MILLS. Well, roughly speaking.

Mr. EDMONDS. The railroad and water transportation was all under one head, was it not?

Gen. CONNOR. It was all a part of the Quartermaster's Corps.

Mr. MILLS. I do not want to tie you down too closely.

Gen. CONNOR. Ten or twenty, I should say.

Mr. MILLS. Of those officers, how many do you think were actually used as the situation developed?

Gen. CONNOR. I think most of them were used.

Mr. MILLS. Do you think they were actually kept on transportation work?

Gen. CONNOR. I was out of the country when the war started and I did not come back until the war ended.

Mr. MILLS. How many men do you think were taken from that small nucleus and employed in transportation work?

Gen. CONNOR. I do not know.

Col. YATES. I can say this, that a large number of officers were employed in the Transportation Service both on this side and on the other side at the outbreak of the war and during the period of the war who were recruited from our civilian employees; they had become masters of their situations, as they were allocated to the service during the period of peace, and they became commissioned officers, and so far as regular officers are concerned I think that everyone who had had experience with water transportation and rail transportation was involved in the service.

Mr. MILLS. But how long did they stay at that particular job? My general impression was that most of the men in that small group were drawn upon for other services, and that you put in charge of other services the men who were formerly in charge of the transportation end.

Gen. CONNOR. You mean in France?

Mr. MILLS. Yes.

Gen. CONNOR. But the port transportation service was a very small element of the Transportation Service.

Mr. MILLS. I am speaking of your whole transportation system. The Regular Army officers that you put at the head were not chosen because they had handled transportation, of course.

Mr. HARDY. As I understand, all of your prewar Transportation Service was employed in the war service?

Gen. CONNOR. Yes; but it was so small that the percentage was almost negligible in France.

Mr. MILLS. This is what I am getting at, and I think I am right: That you did not take those 10 or 20 officers who were specialists in transportation and actually use them as a nucleus around which to build the transportation personnel, either here or in France.

Gen. CONNOR. There were a lot of things that were not done; whether they were or not, I do not know, because I had nothing to do with things in this country.

Mr. MILLS. But you would certainly know what was done in France.

Gen. CONNOR. I am trying to think who was in the Transportation Service, but I can not recall any Regular officers there who had previous experience in Transportation Service.

Mr. EDMONDS. As I understand, before the war the only real service you had was from San Francisco to Manila?

Gen. CONNOR. Yes.

Mr. EDMONDS. And the rest was just such stuff as you carried from time to time?

Gen. CONNOR. Yes, sir.

Mr. EDMONDS. In regard to the practice of other governments, I found over in Japan that all freight boats carried passengers; that most of the freight boats carried about 12 or 15 passengers, but were required to give Government officers first preference at a special contract rate, which the army officer did not pay but his transportation was authorized. I traveled from Tien-tsin to Dairen with a couple of Japanese officers and I traveled from Dairen to Kobe with several Japanese army officers, and I found a little boat running from Hong-kong to Formosa that had a couple of Japanese officers on it, who were furloughed home on account of sickness. I know that the P. & O. Line carries lots of officers and, as a matter of fact, they carry most of the officers. But the English service is one transportation service, while we are running several; we are running a marine transport service, we are running a Navy transport service, and we are running an Army transport service, and it is very evident that that does not tend to any degree of efficiency, and it can not. You send one ship a month to Panama, the Navy is running a ship to Guantanamo, right on the same route, and the Marine Corps is running to Haiti. If we combined those services it would probably lead to efficiency.

If the service is not large enough or the expense is too great, undoubtedly some steamship line would be willing to make a special contract with the Government and render that service to the Government and in addition you would accomplish the building of a line that would become permanent. As I have said, in any such contract provision could be made to have those boats available for the Government's service at any time, if an emergency should arise. That is my idea, but if I am wrong I want to know from you why I am wrong in my impressions, and if you show me I am wrong I will acknowledge it.

Mr. WHITE. General, as I understand you, without any regard to what means might have to be utilized where there were large movements of troops or large movements of supplies, is there not what I would call the irreducible minimum of Army transports which should be maintained, and you feel that is about what you have now?

Gen. CONNOR. I think there should be a minimum maintained, but I think we can spare some of what we have now, and we are negotiating with the Shipping Board to take them over and trying to come to some kind of an agreement with them.

Mr. EDMONDS. The old boats that are on the Pacific coast will have to be replaced before very long because they are not in very good shape?

Gen. CONNOR. Yes.

Mr. HARDY. I would like to know whether I have drawn the right inference from some statements the general has made. The general has had to make his statements somewhat spread out and they have been so little concentrated that I do not know whether I have drawn the right inference. But I gathered two things and I hope I am correct about them. One was that the amount of the transport service was too small to be really serviceable in building up any substantial line, and the other was that in your investigations you have found that you could not arrange for private service for less than 20 per cent more than it would cost to conduct it yourselves. Am I correct in those two things?

Gen. CONNOR. In your first statement, I think not. I think that the freight and passengers we carry to the Philippines would make a very distinct asset to any transportation company.¹ As to the second statement, it is my recollection the figures that I have seen in the data collected in the offices, show that our costs are approximately 20 to 25 per cent less than the ordinary commercial rates, with which we keep in touch.

Mr. HARDY. In general, is not this another fact, that if you abandon the Government's own carrying service, for its own purposes, you will then have to dicker between the Government and private companies as to what the terms of the contracts would be, in which case the Government might get the worst of it, or it might get the best of it; but it would be a fixed sum which you would pay for an indefinite service, to be riffled over between the Government and companies that wanted to make the contract—would not that be the fact?

Gen. CONNOR. That would not be the way I would recommend it to be done, if I had to do it. I would make a rate per individual, a class rate and a tonnage rate, based on the commodity they had to handle, and a concern would only be paid for exactly the service they rendered.

Mr. EDMONDS. Under the bill, Mr. Hardy, the Government does not exactly abandon the service; they only make a 10-year contract.

Mr. HARDY. It is sort of an entering wedge for abandoning it.

Gen. CONNOR. That is the aim and that would be done, and if it proved to be a paying proposition it probably would become the general practice.

Mr. DAVIS. As I understand you, the chief purpose is that there should be maintained, as part of the Army equipment, not only

¹ See Tables IV and V.

for peace times but for war purposes, a certain transport fleet owned by the Army?

Gen. CONNOR. That is my belief; yes, sir.

Mr. DAVIS. Now, what policy is pursued in that respect by France, Japan, and Italy? You have already testified somewhat as to the British policy.

Gen. CONNOR. I am quite certain (I can not go into detail) that almost all merchant ships and mail ships, and so forth, in those countries are given a subsidy; and as a part of the return that they are to render under that subsidy is the agreement that in time of war the ship becomes available as a Government transport. Those conditions undoubtedly differ in different countries, but I think, in general, that is a part of their agreement.

The CHAIRMAN. Can you give us the amount of any subsidies by any of the governments you know of?

Mr. EDMONDS. We can get that, Mr. Chairman, from the published reports.

Mr. HARDY. I think that has been very generally gone into, in the investigation of subsidies, but the British Government does pay a subvention to a number of lines for carrying their mails?

Gen. CONNOR. I think so.

Mr. HARDY. And under the contracts the ships they utilize to obtain that subvention have to be built under the direction of the navy and so built as to be easily convertible to war purposes?

Gen. CONNOR. I would not make the statement positively, but that is my understanding of all the agreements.

Mr. HARDY. That is part of Great Britain's, I know. I do not know whether it is of all the other nations or not.

Mr. EDMONDS. Now, General, you will give us those reports. You will make a detailed report of your income, operations, and all the detailed work all the way through, as far as you can?

Gen. CONNOR. Yes, sir.

Mr. EDMONDS. And let the stenographer have it, so that we can put it into this record. Our idea to-day is to gather data. We want to know your costs, overhead, and depreciation, and we want to know what you consider the cost price at a fair to-day price; then, what you are carrying, what work you are doing, and what service you are giving; and, as near as you can, what voyages you have had for the last six months.

Gen. CONNOR. I will have all that information in the hearing when I send it back corrected.

Mr. EDMONDS. Put all of that data and everything you know in here. We want to know just exactly what you are doing, and we are going to ask the Navy and the Marine Corps what they are doing.

The CHAIRMAN. The following material furnished by Gen. Connor completes the testimony presented by the Department of War:

TRANSPORT SERVICE OF THE GOVERNMENT.

TABLE I.—Comparison between cost of the Army Transport Service and cost of same service if done by commercial lines.

PART I.—FISCAL YEAR 1917.

Name of vessel and classification.	Owned or allocated.	Number of voyages.	Purchase price.	Cost of operations.	Credits, based on commercial tariffs, for passengers and cargo carried.	Net earnings.
Troop and cargo:						
Buford.....	Owned....	4	\$350,000	\$164,792	\$288,510	\$123,718
Kilpatrick.....	do.....	12	350,000	264,843	586,869	322,026
Logan.....	do.....	4	660,000	313,960	714,937	400,977
Sherman.....	do.....	5	660,000	215,660	351,409	135,749
Sheridan.....	do.....	4	660,000	297,447	744,484	447,037
Thomas.....	do.....	4	660,000	275,032	643,209	368,177
Cargo and animal—Dix.....	do.....	3	425,000	188,104	441,593	238,499
Total.....			3,765,000	1,719,838	3,771,011	2,051,173

PART II.—FISCAL YEAR 1921 TO MAY 21, 1921.

Name and classification.	Owned or allocated.	Purchase price.	Present value.	Number of voyages for which figures are available.	Cost of vessel operations.	Interest on investment for period of voyages shown at 6 per cent per annum.
Troop—Cargo:						
Buford.....	Owned....	\$350,000	\$87,500	2	\$122,006	\$875
Cambria.....	do.....	3,545,454	3,421,363	3	289,645	68,427
Cantigny.....	do.....	3,545,454	3,421,363	3	272,614	68,427
Logan.....	do.....	660,000	165,000	2	201,642	3,700
Sherman.....	do.....	660,000	165,000	4	521,277	6,200
Somme.....	do.....	3,545,454	3,421,363	4	298,170	76,981
St. Mihiel.....	do.....	3,545,454	3,421,363	4	286,460	76,981
Thomas.....	do.....	660,000	165,000	2	404,322	4,950
Cargo:						
Edgemoore.....	Allocated		1,852,000	3	155,010	55,560
Wheaton.....	do.....		1,479,000	2	152,828	22,185
Dix.....	Owned....	425,000	106,250	2	283,792	3,717
Total.....		16,936,816	17,705,202	31	2,967,766	388,003

Name and classification.	Owned or allocated.	Depreciation during period of voyages shown, at 3½ per cent per annum.	Insurance during period of voyages shown, at 5½ per cent per annum.	Overhead for period of voyages shown.	Total.	Lowest commercial tariffs for passengers and freight carried.
Troop—Cargo:						
Buford.....	Owned....	\$2,041	\$802	\$10,360	\$136,084	\$113,235
Cambria.....	do.....	41,364	62,725	20,720	482,881	272,445
Cantigny.....	do.....	41,364	62,725	20,720	465,850	187,993
Logan.....	do.....	8,838	3,402	23,310	240,892	179,629
Sherman.....	do.....	14,730	5,670	38,850	586,727	503,766
Somme.....	do.....	46,534	70,564	23,310	515,559	625,409
St. Mihiel.....	do.....	46,534	70,564	23,310	503,949	170,826
Thomas.....	do.....	11,785	4,537	31,080	456,674	541,012
Cargo:						
Edgemoore.....	Allocated	32,410	50,930	31,080	324,990	252,531
Wheaton.....	do.....	12,940	20,336	15,540	223,829	527,285
Dix.....	Owned....	8,673	3,409	36,290	315,851	401,018
Total.....		267,213	355,664	274,540	4,253,186	3,775,149

Passenger transportation furnished for which no credit in above statement has been taken, such as officers, enlisted men, civilian employees, etc., on leave, sick, etc..... \$404,998

Cost to War Department of above transportation at lowest commercial rates..... 4,180,147

Actual cost to War Department as performed by Army Transport Service:

Operation of vessels.....	\$2,967,766
Depreciation.....	267,213
Overhead.....	274,540
Total.....	3,509,519

Actual saving in cost of operation by War Department..... 670,628

ITINERARY OF VESSELS IN ARMY TRANSPORT SERVICE SHOWN ON TABLE I, PART II.

- Buford (2 voyages):**
 Voyage No. 6. New York-Porto Rico-Cristobal-Porto Rico-New York.
 Voyage No. 8. San Francisco-Honolulu-San Francisco.
- Cambria (3 voyages):**
 Voyage No. 1. New York-Cristobal-Porto Rico-New York.
 Voyage No. 2. New York-St. Nazaire-Antwerp-New York.
 Voyage No. 3. New York-Antwerp-New York.
- Cantigny (3 voyages):**
 Voyage No. 1. New York-Porto Rico-Cristobal-New York.
 Voyage No. 2. New York-Cristobal-Porto Rico-New York.
 Voyage No. 3. New York-Antwerp-New York.
- Logan (2 voyages):**
 Voyage No. 68. New York-New Orleans-Cristobal-Porto Rico-Cristobal-New York.
 Voyage No. 69. New York-Cristobal-Honolulu-San Francisco-Honolulu-Guam-Manila-Nagasaki-Honolulu-San Francisco.
- Sherman (4 voyages):**
 Voyage No. 70. New York-Antwerp-St. Nazaire-New York.
 Voyage No. 71. New York-Cristobal-San Francisco-Honolulu-Guam-Manila-Nagasaki-Honolulu-San Francisco.
 Voyage No. 72. San Francisco-Honolulu-Guam-Manila-Nagasaki-Honolulu-San Francisco.
 Voyage No. 73. San Francisco-Honolulu-Guam-Manila-Nagasaki-Honolulu-San Francisco.
- Somme (4 voyages):**
 Voyage No. 1. New York-Cristobal-New York.
 Voyage No. 2. New York-Porto Rico-Cristobal-Porto Rico-New York.
 Voyage No. 3. New York-St. Nazaire-Calais-Antwerp-New York.
 Voyage No. 4. New York-Antwerp-New York.
- St. Mihiel (4 voyages):**
 Voyage No. 1. New York-Porto Rico-Cristobal-New York.
 Voyage No. 2. New York-Porto Rico-Cristobal-New York.
 Voyage No. 3. New York-Porto Rico-Cristobal-New York.
 Voyage No. 4. New York-Porto Rico-Cristobal-New York.
- Thomas (2 voyages):**
 Voyage No. 73. New York-Porto Rico-Cristobal-San Francisco-Honolulu-Guam-Manila-Nagasaki-Honolulu-San Francisco.
 Voyage No. 74. San Francisco-Honolulu-Guam-Manila-Nagasaki-Honolulu-San Francisco.
- Edgemoor (3 voyages):**
 Voyage No. 1. New York-Boston-New York.
 Voyage No. 2. New York-Cristobal-Honolulu-San Francisco-Honolulu-Manila-San Francisco.
 Voyage No. 3. San Francisco-Honolulu-Manila-San Francisco.
- Wheaton (2 voyages):**
 Voyage No. 1. New York-Antwerp-Calais-Cherbourg-St. Nazaire-Bordeaux-New York.
 Voyage No. 2. New York-Cherbourg-Antwerp-Bordeaux-New York.
- Dix (2 voyages):**
 Voyage No. 48. San Francisco-San Diego-Japan-Honolulu-San Francisco.
 Voyage No. 49. San Francisco-Manila-San Francisco.

TABLE II.—List of vessels in army transport service.

	Date of construction.	Date acquired by Army Transport Service.	Original cost.	Present estimated value.	Annual depreciation on original cost, 3½ per cent, allowing for major repairs and renewals.	Annual interest on present value (interest on investment), 6 per cent.	Annual insurance on present value (hull and engines), 5½ per cent.
In operation between—							
New York and Antwerp or New York and Panama—							
Combar	1920	1920	\$3,545,454	\$3,421,363	\$124,091	\$205,282	\$188,175
Cantigny	1920	1920	3,545,454	3,421,363	124,091	205,282	188,175
Somme	1920	1920	3,545,454	3,421,363	124,091	205,282	188,175
St. Mihiel	1920	1920	3,545,454	3,421,363	124,091	205,282	188,175
San Francisco and Manila—							
Buford	1890	1899	350,000	87,500	12,260	5,250	4,813
Logan	1892	1899	660,000	165,000	23,571	9,900	9,075
Sherman	1892	1899	660,000	165,000	23,571	9,900	9,075
Thomas	1894	1899	660,000	165,000	23,571	9,900	9,075
Pacific coast and Manila—Dix.							
Laid up on—							
Atlantic coast—							
Aisne	1920	1920	3,545,454	3,421,363	124,091	205,282	188,175
Argonne	1920	1920	3,545,454	3,421,363	124,091	205,282	188,175
Chateau Thierry	1920	1920	3,545,454	3,421,363	124,091	205,282	188,175
Chaumont	1920	1920	3,545,454	3,421,363	124,091	205,282	188,175
Marne	1920	1920	3,545,454	3,421,363	124,091	205,282	188,175
Tours	1920	1920	3,545,454	3,421,363	124,091	205,282	188,175
Ourcq	1920	1920	3,545,454	3,421,363	124,091	205,282	188,175
Pacific coast—Great Northern.	1914	1920	2,131,983	2,057,363	74,620	123,441	113,155
Atlantic coast—Northern Pacific							
	1915	1920	2,131,983	2,057,363	74,620	123,441	113,155
Pacific coast—Sheridan							
			660,000	165,000	23,571	9,900	9,075

TABLE III.—Piers, wharves, etc., in use by Army Transport Service.

LOCATION AND PRESENT STATUS OF PORT TERMINALS.

[The cost of purchase or construction of terminal facilities utilized by the transports can not be showing with the exception of San Francisco, as the records of the Construction Branch, Quartermaster Corps, are based on contract costs of general terminal construction and not on specific units thereof, such as each wharf, shed, or bulkhead.]

Place.	Type of wharf or pier.	Space of each.	Cost of construction or purchase.	How used.
Boston	1 concrete wharf	5,400 feet berthing space.	\$24,787,000	Jointly by United States Army Transport harbor boats and commercial interests.
	2 pier sheds, concrete, 3 stories.	100 by 924 feet		
	1 wharf shed, steel and concrete, 2 stories.	100 by 1,638 feet		
South Brooklyn.	Pier No. 1, concrete, uncovered.	60 by 1,346 feet 150 by 1,324 feet 145 by 1,270 feet 150 by 1,307 feet 145 by 1,270 feet 150 by 1,293 feet 145 by 1,270 feet	\$2,000,000	By Army. Do. Do. By Shipping Board. Do. By Kerr Steamship Co. Do.
	Pier No. 2, concrete, with structural steel pier shed, 2 stories.			
	Pier No. 3, concrete, with structural steel pier shed, 2 stories.			
	Pier No. 4, concrete, with structural steel pier shed, 2 stories.			
Port Newark.	1 bulkhead wharf (956 feet covered).	80 by 3,800 feet	11,813,000	By Army.
Philadelphia.	Pier B, untreated pile and timber, covered.	290 by 1,500 feet	13,350,000	By Shipping Board.
	Pier C, untreated pile and timber, open.	290 by 1,320 feet		
Norfolk	Piers 1 and 2, steel and concrete, with 2 pier sheds, concrete.	300 by 1,328 feet 257 by 1,280 feet	29,250,000	Jointly by Army and commercial interests.

TABLE III.—Piers, wharves, etc., in use by Army Transport Service—Continued.

Place.	Type of wharf or pier.	Space of each.	Cost of construction or purchase.	How used.	
Charleston...	1 bulkhead wharf.....	2,160 feet long (1,370 feet is 40 feet wide and 290 feet is 55 feet wide).	\$15,000,000	Partly by Army; almost entirely by commercial interests.	
New Orleans.	1 wharf, creosoted piles and timber, with 1 wharf shed, structural steel, 2 stories.	170 by 2,040 feet... 140 by 2,000 feet...	12,700,000	Do.	
	Pier No. 1.....	80 by 944 feet.....		} By Panama Railroad Co. Do. Turned over to United States Shipping Board.	
	Shed to pier No. 1.....	70 by 861 feet.....			
	Pier No. 2.....	80 by 947 feet.....			
	Shed to pier No. 2.....	70 by 845 feet.....			
Hoboken.....	Pier No. 3.....	90 by 946 feet.....	14,333,000	Do.	
	Shed to pier No. 3.....	80 by 824 feet.....		Do.	
	Pier No. 4.....	90 by 950 feet.....		Do.	
	Shed to pier No. 4.....	80 by 915 feet.....		By Army.	
	Pier No. 5.....	80 by 903 feet.....		Do.	
	Shed to pier No. 5.....	71 by 729 feet.....		Do.	
	Pier No. 6.....	50 by 767 feet.....		Do.	
	Shed to pier No. 6.....	41 by 712 feet.....		Do.	
	Pier No. 1, concrete.....	81 by 500 feet.....		152,550	Do.
	1 corrugated iron pier shed.....	44 by 283 feet.....			
	do.....	50 by 147 feet.....			
	Pier No. 2, concrete.....	115 by 482 feet.....			
San Francisco	1 concrete pier shed.....	92 by 428 feet.....	194,200	Do.	
	Pier No. 3, concrete.....	81 by 500 feet.....			
	1 corrugated iron pier shed.....	50 by 423 feet.....	141,743		

¹ The six piers are constructed of pile and timber; the pier sheds are frame and structural steel and have 2 stories, except Nos. 5 and 6, which have only 1.

TABLE IV.—Total number of passengers transported on Army transports, July 1, 1920, to May 21, 1921.

From—	Army.	Civilians.	Marines.	Navy.	Total.
United States to Europe.....	4,537	1,576	4	239	6,356
Europe to United States.....	5,963	1,962	86	277	8,318
New York to Cristobal.....	3,962	792	2	570	5,326
New York to San Juan.....	140	178	.....	1	319
New York to San Francisco.....	4	55	1	2	62
Cristobal to New York.....	1,197	580	.....	283	2,060
San Juan to New York.....	106	422	3	14	545
New Orleans to Cristobal.....	32	57	.....	5	94
New Orleans to San Juan.....	.....	3	.....	.....	3
Cristobal to New Orleans.....	27	146	.....	28	201
San Juan to New Orleans.....	.....	8	.....	.....	8
New York to New Orleans.....	1	1	.....	.....	2
San Francisco to Tacoma, Wash.....	213	24	.....	.....	237
San Francisco to Honolulu.....	10,284	1,182	272	478	12,216
San Francisco to Manila.....	1,239	1,106	412	893	3,650
San Francisco to Guam.....	.....	62	564	48	674
San Francisco to Nagasaki.....	8	31	2	2	43
San Francisco to Cristobal.....	1	22	.....	1	24
San Francisco to New York.....	17	44	.....	3	64
San Francisco to Alaska.....	2	289	.....	.....	291
San Diego to Chinwangtao.....	.....	5	.....	.....	5
Shanghai to San Francisco.....	3	13	5	17	38
Yokohama to San Francisco.....	.....	58	.....	3	61
Honolulu to San Francisco.....	1,199	762	57	336	2,354
Manila to San Francisco.....	2,615	1,509	182	540	4,646
Nagasaki to San Francisco.....	5	45	12	145	207
Milke to San Francisco.....	.....	4	.....	.....	4
Midway Island to San Francisco.....	.....	1	.....	.....	1
Cristobal to San Francisco.....	5	66	.....	2	73
Tacoma, Wash., to Honolulu.....	602	33	.....	.....	635
Total.....	32,192	10,866	1,602	3,887	48,517

TABLE V.—Cargo shipped on Army transports between July 1, 1920, and May 1, 1921.

[Figures not available for May 1 to May 21.]

From—	Number of tons.	Average commercial rate per ton.	Value of service based on commercial rates.
New York to Europe.....	19,657	\$24.00	\$471,768.00
Europe to New York.....	8,771	24.00	210,504.00
Europe to Philadelphia.....	31	24.00	744.00
New York to Canal Zone.....	12,196	14.00	170,744.00
Canal Zone to New York.....	1,725	14.00	24,150.00
New York to Porto Rico.....	2,336	11.00	25,696.00
Porto Rico to New York.....	94	11.00	1,034.00
New York to Boston.....	11,437	3.00	34,311.00
New York to San Francisco.....	1,479	25.40	37,567.00
San Francisco to New York.....	21,796	25.40	553,618.00
New York to Manila.....	3,390	23.00	77,970.00
New York to Honolulu.....	3,661	18.00	65,898.00
New York to Guam.....	12	28.00	336.00
Vladivostok to New York.....	327	50.00	9,810.00
Patras to New York.....	363	28.00	10,164.00
San Francisco to Canal Zone.....	4	19.00	76.00
Canal Zone to San Francisco.....	108	19.00	2,052.00
San Francisco to Manila.....	33,537	16.00	536,592.00
Manila to San Francisco.....	1,272	16.00	20,352.00
San Francisco to Honolulu.....	25,635	7.00	179,645.00
Honolulu to San Francisco.....	1,177	7.00	8,239.00
San Francisco to Guam.....	391	16.00	6,266.00
San Francisco to Alaska.....	168	28.00	4,704.00
San Francisco to Seattle.....	348	15.00	5,220.00
Vladivostok to San Francisco.....	6	25.00	150.00
New Orleans to Canal Zone.....	9,257	15.00	138,855.00
Canal Zone to New Orleans.....	3,452	15.00	51,780.00
New Orleans to Porto Rico.....	410	10.00	4,100.00
Porto Rico to New Orleans.....	42	10.00	420.00
New Orleans to Boston.....	910	23.00	20,930.00
Baltimore to Canal Zone.....	152	14.00	2,128.00
Baltimore to Manila.....	1,831	23.00	42,113.00
Seattle to Honolulu.....	1,793	8.00	14,344.00
Total.....			2,732,270.00

TABLES VI.

Crew list of Hog Island vessels *Cantigny, Cambrai, St. Mihiel, Somme, Aisne, Argonne, Chateau-Thierry, Chaumont, Marne, Ourcq, and Tours*).

	Pay per annum.	Engine department—Contd.	Pay per annum.
Administrative department:		6 water tenders.....	\$6,840.00
Quartermaster.....	\$1,050.00	12 firemen.....	12,960.00
1 surgeon.....	2,500.00	3 wipers.....	2,700.00
1 dentist.....	2,500.00	1 plumber.....	1,200.00
5 Hospital Corps men.....	5,400.00	1 storekeeper.....	1,140.00
1 chaplain.....	1,800.00	Steward's department:	
1 embalmer.....	2,000.00	4 stewards.....	5,172.00
3 Quartermaster Corps clerks.....	4,500.00	2 storekeepers.....	2,040.00
Deck department:		4 pantrymen.....	3,480.00
5 officers.....	13,845.00	17 waiters.....	12,240.00
2 boatswain and mate....	3,360.00	8 cooks.....	8,898.00
7 wheelmen.....	7,560.00	1 yeoman.....	1,080.00
3 master-at-arms.....	3,150.00	5 mess boys.....	3,900.00
1 carpenter.....	1,200.00	1 stewardess.....	720.00
1 yeoman.....	1,080.00	2 scullions.....	1,740.00
20 seamen.....	20,400.00	4 bakers.....	4,191.00
1 storekeeper.....	1,020.00	1-dishwasher.....	720.00
3 radio operators.....	3,900.00	2 night watchmen.....	1,440.00
Engine department:		1 barber.....	60.00
8 engineers.....	21,795.00	3 bell boys.....	1,980.00
2 refrigerating engineers..	2,520.00	2 general hospital stewards.....	2,160.00
1 deck engineer.....	1,200.00	2 messmen.....	1,680.00
1 machinist.....	1,200.00		
2 electricians.....	2,520.00		
4 oilers.....	6,840.00	Total.....	187,681.00

Crew list of transport "Thomas."

Pay per annum.		Pay per annum.	
Administrative department:		Engine—Continued.	
1 transport quartermaster	\$2,500.00	1 plumber	1,200.00
1 surgeon	2,500.00	2 electricians	2,400.00
1 hospital steward	1,430.00	6 oilers	6,480.00
4 Hospital Corps men	3,490.00	3 watertenders	3,240.00
1 quartermaster clerk	1,500.00	20 firemen	21,600.00
1 freight clerk	1,500.00	18 coal passers	19,440.00
Deck:		1 storekeeper	1,080.00
5 officers	13,350.00	Stewards:	
1 boatswain	1,140.00	5 stewards	5,760.00
4 wheelmen	4,320.00	3 storekeepers	3,060.00
1 master-at-arms	1,080.00	5 pantrymen	4,560.00
1 carpenter	1,260.00	41 waiters and bellboys	24,340.00
1 yeoman	1,080.00	10 cooks, messmen, etc.	10,260.00
18 seamen	19,440.00	1 yeoman	1,080.00
1 storekeeper	1,140.00	15 bakers, butchers, etc.	10,800.00
Engine:		1 stewardess	420.00
7 engineers	17,880.00	1 watchman	840.00
2 refrigerating engineers	2,400.00	Total 193,830.00	
1 deck engineer	1,260.00		

Crew list of transport "Sheridan."

Pay per annum.		Pay per annum.	
Administrative department:		Engine department—Contd.	
1 quartermaster	\$2,500.00	6 oilers	\$6,480.00
1 surgeon	2,500.00	3 water tenders	3,240.00
5 hospital men	5,000.00	20 firemen	21,600.00
3 Signal Corps men	5,400.00	18 coal passers	19,440.00
1 quartermaster clerk	1,500.00	1 plumber	1,200.00
1 freight clerk	1,500.00	1 storekeeper	1,080.00
Deck department:		Stewards department:	
5 officers	13,350.00	5 stewards and stewardess	6,180.00
1 boatswain	1,140.00	5 storekeepers and scullions	5,000.00
4 wheelmen	4,320.00	9 pantrymen, dishwashers, and bell boys	8,000.00
2 master-at-arms	2,160.00	35 waiters and messmen	25,000.00
1 carpenter	1,260.00	13 cooks, silver men, and barber	8,980.00
1 yeoman	1,080.00	4 yeoman, porter, watchman, and janitor	3,000.00
18 seamen	19,440.00	7 bakers and butchers	8,000.00
1 storekeeper	1,140.00	Total 203,430.00	
Engine department:			
7 engineers	17,880.00		
2 refrigerating engineers	2,400.00		
1 deck engineer	1,260.00		
2 electricians	2,400.00		

Crew list of transport "Logan."

Pay per annum.		Pay per annum.	
Administrative department:		Engine department—Con.	
1 quartermaster	\$2,500.00	1 deck engineer	\$1,260.00
1 surgeon	3,000.00	2 electricians	2,400.00
1 quartermaster sergeant	2,500.00	6 oilers	6,480.00
1 hospital steward	1,430.00	3 water tenders	3,240.00
4 Hospital Corps men	4,000.00	20 firemen	21,600.00
2 Signal Corps men	3,500.00	18 coal passers	19,440.00
1 quartermaster clerk	1,500.00	1 plumber	1,200.00
Deck department:		1 storekeeper	1,080.00
5 officers	13,350.00	Stewards, department:	
2 boatswain	2,220.00	4 stewards	4,500.00
5 wheelmen	5,400.00	2 storekeepers	2,040.00
2 master-at-arms	2,160.00	4 pantrymen	3,660.00
1 carpenter	1,260.00	28 waiters	23,520.00
1 yeoman	1,080.00	10 cooks	10,260.00
25 seamen	27,000.00	1 yeoman	1,080.00
1 storekeeper	1,140.00	1 janitor	840.00
1 freight clerk	1,140.00	Total 196,170.00	
Engine department:			
7 engineers	17,880.00		
2 refrigerating engineers	2,400.00		

Crew list of transport "Sherman."

	Pay per annum.		Pay per annum.
Administrative department:		Engine department—Con	
1 transport quartermaster	\$2,500.00	20 firemen.....	\$21,600.00
1 quartermaster agent...	2,400.00	18 coal passers.....	19,440.00
1 surgeon.....	2,500.00	1 plumber.....	1,200.00
1 quartermaster sergeant.	2,000.00	1 storekeeper.....	1,080.00
1 hospital steward.....	1,080.00	Stewards' department:	
4 Hospital Corps men...	4,000.00	4 stewards and stewardess	6,000.00
5 Signal Corps men.....	5,400.00	2 storekeepers.....	1,980.00
1 nurse.....	1,000.00	4 bell boys.....	1,200.00
1 quartermaster clerk....	1,500.00	4 pantrymen.....	5,600.00
1 freight clerk.....	1,500.00	1 night watchman.....	840.00
Deck department:		31 waiters.....	22,240.00
5 officers.....	13,350.00	1 silverman.....	840.00
1 boatswain.....	1,140.00	8 messmen.....	6,720.00
4 wheelmen.....	4,320.00	10 cooks.....	10,260.00
1 master-at-arms.....	1,080.00	1 bathman.....	780.00
1 carpenter.....	1,260.00	1 janitor.....	840.00
1 yeoman.....	1,080.00	1 yeoman.....	1,080.00
18 seamen.....	19,440.00	2 scullions.....	1,680.00
1 storekeeper.....	1,140.00	1 porter.....	840.00
Engine department:		4 bakers.....	4,000.00
7 engineers.....	17,880.00	2 dishwashers.....	680.00
2 refrigerating engineers.	2,400.00	3 butchers.....	2,500.00
1 deck engineer.....	1,260.00	1 barber.....	60.00
2 electricians.....	2,400.00		
6 oilers.....	6,480.00	Total.....	210,810.00
5 water tenders.....	3,240.00		

Crew list of the "Buford."

	Pay per annum.		Pay per annum.
Administrative department:		Engine department—Cont.	
1 quartermaster agent...	\$2,400.00	1 deck engineer.....	\$1,260.00
1 surgeon.....	2,500.00	1 electrician.....	1,260.00
3 hospital corps men.....	3,240.00	3 oilers.....	3,240.00
1 nurse.....	1,000.00	3 water tenders.....	3,240.00
4 quartermaster corps clerks.....	6,000.00	15 firemen.....	16,200.00
Deck department:		13 coal passers.....	14,040.00
5 officers.....	13,845.00	2 plumbers.....	2,400.00
2 boatswains and mate..	2,220.00	1 storekeeper.....	1,080.00
6 wheelmen.....	6,480.00	Steward's department:	
6 masters-at-arm.....	6,480.00	3 stewards.....	3,840.00
1 carpenter.....	1,200.00	1 stewardess.....	420.00
1 yeoman.....	1,080.00	3 pantrymen.....	3,060.00
24 seamen.....	25,920.00	15 waiters.....	12,600.00
1 storekeeper.....	1,140.00	5 cooks.....	5,040.00
3 radio operators.....	5,400.00	1 yeoman.....	1,080.00
Engine department:		1 storekeeper.....	1,020.00
5 engineers.....	13,365.00		
3 refrigerating engineers.	3,780.00	Total.....	165,830.00

Crew list of transport "Dix."

	Pay per annum.		Pay per annum.
Administrative department:		Engine department:	
1 quartermaster agent . . .	\$2,400.00	5 engineers	\$10,920.00
1 surgeon	2,500.00	1 refrigerating engineer . . .	1,140.00
2 Hospital Corps men . . .	2,000.00	1 electrician	1,260.00
3 Signal Corps men	5,400.00	3 oilers	3,240.00
1 freight clerk	1,500.00	3 water tenders	3,240.00
Deck department:		12 firemen	8,960.00
5 officers	13,350.00	12 coal passers	8,960.00
1 boatswain	1,140.00	1 storekeeper	1,080.00
4 wheelmen	4,320.00	Steward's department:	
1 carpenter	1,260.00	1 steward	1,800.00
1 yeoman	1,080.00	1 storekeeper	1,020.00
8 seamen	8,640.00	1 pantryman	1,020.00
1 storekeeper	1,140.00	8 waiters	6,720.00
		4 cooks and bakers	4,000.00
		1 butcher	1,200.00
		Total	97,290.00

Crew list of the "Edgemoor."

	Pay per annum.		Pay per annum.
Administrative department:		Engine department:	
1 transport quartermaster	\$2,500.00	5 engineers	\$12,810.00
1 surgeon	2,500.00	1 deck engineer	1,200.00
1 Hospital Corps man . . .	1,080.00	3 wipers	2,700.00
1 Quartermaster Corps		3 oilers	3,420.00
clerk	1,500.00	3 firemen	3,240.00
1 embalmer	2,000.00	1 storekeeper	1,140.00
Deck department:		Steward's department:	
5 officers	13,845.00	7 stewards	8,472.00
1 boatswain	1,140.00	1 scullion	900.00
1 carpenter	1,200.00	2 cooks	2,478.00
12 seamen	12,240.00	1 storekeeper	1,020.00
		Total	75,385.00

Crew list of the "Wheaton."

	Pay per annum.		Pay per annum.
Administrative department:		Engine department—Contd.	
1 quartermaster agent . . .	\$1,050.00	12 firemen	6,840.00
2 hospital corps men	2,160.00	2 coal passers	8,100.00
2 radio operators	2,700.00	1 yeoman	1,080.00
3 quartermaster corps		1 storekeeper	1,140.00
clerks	1,500.00	Steward's department:	
Deck department:		1 steward	1,872.00
5 officers	13,845.00	1 storekeeper	1,020.00
1 boatswain	1,140.00	1 pantryman	900.00
1 carpenter	1,200.00	3 waiters	2,160.00
12 seamen	12,240.00	2 cooks	2,100.00
Engine department:		1 baker	1,260.00
5 engineers	12,810.00	1 watchman	720.00
4 refrigerating engineers . .	4,920.00	1 scullion	840.00
1 deck engineer	1,200.00	5 messmen	4,200.00
6 oilers	6,840.00	Total	97,257.00
3 water tenders	3,420.00		

General statistics pertaining to Army port terminals.

Base.	Location.	Open storage.	Protected storage.	Area.	Storage capacity.	Capacity (10-hour day).	Berthing space.	Capacity, average vessels.	Mean low-water depth at wharf.	Cost per square foot, excluding sheds.	Rental per square foot, including sheds.	Rental per square foot, excluding sheds.
		Square feet.	Square feet.	Acres.	Tons.	Tons.	Linear ft.	Ft.	Ft.	\$	Cents.	Cents.
Boston.....	South Boston, 1 mile from South Station; adjoins Commonwealth Dry Dock.	400,240	2,013,863	32	275,000	13,200	5,400	11	35	\$11.70	66.3	76.3
South Brooklyn.....	Fifty-eighth Street and Second Avenue.		4,681,220	100	450,000	12,000	9,000	21	40	6.73	41.7	54.5
Port Newark.....	West side Newark Bay; Lehigh Valley and Central R. R. of New Jersey.	356,870	2,025,480	133	400,000	15,000	3,800	(*)	15	4.99	30.0	36.6
Philadelphia.....	Delaware and Oregon Avenues.		847,848	120	165,000	9,000	2,820	7	35	14.05	84.3	.....
Norfolk.....	Sewals Point.....	1,001,005	2,948,904	912	850,000	7,000	2,656	6	35	10.39	64.4	85.5
Charleston.....	Cooper River south of Goose Creek.		1,804,900	1,080	300,000	2,400	3,575	9	35	8.95	53.7	66.0
New Orleans.....	Daouhin, Poland, and Manuel Streets.		2,145,737	50	175,000	2,500	2,040	5	30	5.83	35.0	48.0
Hoboken.....	River Street.		.....	.....	.....	.....	9,060	20	.....	.....	.....	.....
Base.	Cost, real estate.	Cost, construction work.	Total cost.	Allotment.	Started.	Finished.	Terminal track.	Capacity of terminal.	Principal structures.			
Boston.....	\$3,000,000	\$22,337,000	\$24,787,000	\$28,040,000	Apr. 22, 1918	June 4, 1919	Miles 15.481	Cars 800	1 warehouse, 1 wharf, 1 pier, 1 pier shed, 1 power plant, 1 electrical station, 1 administration building, 1 administration building, 4 piers, 1 administration building, 1 boiler house, water, lighting, sewage systems.			
South Brooklyn.....	6,000,000	25,000,000	32,000,000	32,515,500	May 15, 1918	Aug. —, 1919	22.579	1,300	2 warehouses, 2 pier sheds, 2 piers, 1 pier shed, 2 piers.			
Port Newark.....	1,395,000	10,418,000	11,813,000	10,260,717	Oct. —, 1917	Mar. —, 1919	12.397	860	9 warehouses, 2 sheds, open, 1 bulkhead, 1 pier.			
Philadelphia.....	740,000	12,610,000	13,350,000	12,555,000	Aug. —, 1918	Sept. —, 1919	15.438	1,119	1 pier shed, 2 piers.			
Norfolk.....	2,575,000	26,975,000	29,250,000	28,752,376	Mar. —, 1918	July —, 1919	38.716	2,330	8 warehouses, 2 pier sheds, 2 piers.			
Charleston.....	550,000	14,450,000	15,000,000	12,675,000	June —, 1918	..... do	32.559	2,000	6 warehouses, 2 head houses, 2 open sheds, 1 bulkhead, wharf, 1 ordnance depot, wharf.			
New Orleans.....	334,000	12,335,000	12,700,000	12,086,571	July —, 1918	..... do	8.839	600	3 warehouses, 1 wharf shed, 1 wharf.			
Hoboken.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total (all terminals except Hoboken).	.....	124,828,000	138,900,000	143,792,947	.....	.....	.....	.....	.....

* Correct within \$1,000,000 cost of land in dispute. * Light draft and barges only. * Hamburg-American Line. * North German Lloyd Line.

SPECIFIC STATISTICS PERTAINING TO ARMY PORT TERMINALS.

NEW ORLEANS ARMY SUPPLY BASE.

Warehouses:

Number, 3.
 Construction, reinforced concrete.
 Dimensions, 140 by 600 feet.
 Stories, 6.
 Floor area, square feet—
 Gross, 84,000.
 Net, 67,200.
 Total area, square feet—
 Gross, 504,000.
 Net, 403,200.
 Load per square foot—
 First floor, 400 pounds.
 Second floor, 350 pounds.
 Others, 250 pounds.

Fire protection, sprinkler system throughout.

Shipping facilities:

Wharf shed—structural steel, 140 by 2,000 feet.
 Stories, 2; load per square foot, 400 pounds.
 Floor area, square feet—
 Gross, 280,000.
 Net, 238,000.
 Total area, square feet—
 Gross, 560,000.
 Net, 476,000.
 Wharf, 170 by 2,040 feet.
 Construction, creosote piles and timber.

HOBOKEN ARMY SUPPLY BASE.

Warehouses:

Number, 1.
 Dimensions, 100 by 100 feet—3 story.

Bulkhead buildings:

Number, 3.
 Construction—
 A-frame.
 B-brick.
 Dimensions—
 A, 128 by 850 feet—1 story.
 A, 100 by 400 feet—1 story.
 B, 172 by 345 feet—2 story.

Sheds (storage), 1.
 Construction, galvanized.
 Dimensions, 78 by 249 feet.

Fire protection, city-water pressure.

Shipping facilities:

Piers, 6; pier sheds, 6.
 Construction, pile and timber.
 Safe load per square foot.
 Slips, 250 feet wide.
 Pier 1, 80 by 944 feet; shed 1, 70 by 861 feet.
 Pier 2, 80 by 947 feet; shed 2, 70 by 845 feet.
 Pier 3, 90 by 946 feet; shed 3, 80 by 824 feet.
 Pier 4, 90 by 950 feet; shed 4, 80 by 915 feet.
 Pier 5, 80 by 903 feet; shed 5, 71 by 729 feet.
 Pier 6, 50 by 767 feet; shed 6, 41 by 712 feet.
 Stories, all 2 except Nos. 5 and 6 (1).

NORFOLK ARMY SUPPLY BASE.

Warehouses:

Number, 8.
 Construction, reinforced concrete.
 Dimensions, 126 by 1,638 feet.
 Stories, 8.

Warehouses—Continued.

Floor area, square feet—

Gross, 206,388.

Net, 165,110.

Total area, square feet—

Gross, 1,651,104.

Net, 1,320,883.

Pier sheds:

Number, 2.

Construction, reinforced concrete.

Dimensions, 100 by 924 feet.

Stories, 3.

Floor area, square feet—

Gross, 92,400.

Net, 73,920.

Total area, square feet—

Gross, 277,200.

Net, 221,760.

Fire protection, sprinkler system throughout.

Shipping facilities:

Piers, 2.

Docking length, south side, 4,000 feet, linear.

Docking length, north side, 1,000 feet, linear.

Docking length, east side, 300 feet, linear.

Wharf sheds, 2.

Construction, structural steel and concrete.

Dimensions, 100 by 1,638 feet; 2 stories.

Floor area, square feet—

Gross, 163,800.

Net, 139,230.

Total area, square feet—

Gross, 327,600.

Net, 279,460.

CHARLESTON ARMY SUPPLY BASE.**Warehouses:**

Number, 6.

Construction, tile—timber roofing.

Dimensions, 160 by 1,200 feet.

Stories, 1.

Floor area, square feet—

Gross, 192,000.

Net, 172,800.

Head houses:

Number, 2—

No. 1, 150 by 1,360 feet.

No. 2, 150 by 400 feet.

Floor area, square feet—

Gross—

No. 1, 204,000.

No. 2, 183,600.

Net—

No. 1, 60,000.

No. 2, 54,000.

Loading platform, 50 by 2,000 feet.

Load per square foot, 800 pounds.

Open sheds:

Number, 2.

Dimensions, 160 by 1,200 feet.

Area, square feet—

Gross, 192,000.

Net, 172,000.

Shipping facilities:

Bulkhead wharf (no piers), 2,000 feet long.

1,870 by 40 feet.

290 by 55 feet.

BOSTON ARMY SUPPLY BASE.

Warehouses:

Number, 1.
 Construction, reinforced concrete.
 Dimensions, 126 by 1,638 feet (6 sections).
 Paving—
 Upper, granolithic.
 Lower, wood block.
 Load per square foot—
 Ground, 500.
 Others, 300.
 Elevators—
 4 each section, 9 by 17 feet, 10,000 pounds.
 Speed 100 feet per minute, auto and operator.
 Floor area, square feet—
 Gross, 206,388.
 Net, 165,110.
 Total area, square feet—
 Gross, 1,651,104.
 Net, 1,320,883.
 Heating—
 Hot water.
 Auxiliary steam coils.
 Number stories, 8.

Pier sheds:

Number, 2 (twin).
 Construction—
 Reinforced concrete.
 Raymond type foundation.
 Dimensions, 100 by 924 feet.
 Stories, 3.
 Overhead clearance, first, 24 feet; others, 14 feet.
 Elevators—
 8 each building, 12,000 pounds each.
 4 Otis, 4 ABC, speed 50 feet per minute, operator.
 Floor area, square feet, net, 341,000.

Power plant:

Dimensions, 80 by 85 by 78 feet.
 Construction, structural steel and concrete.
 Equipment—
 6 Heine boilers, 400 horsepower each.
 Forced draft, mechanical stokers.
 Twin stacks, 165 by 9 feet.
 700 feet overhead bunker.

Electric substation:

Dimensions, 54 by 86 feet, 1 story and basement.
 Construction, reinforced concrete brick curtain.
 Equipment—
 6 13,000-volt transformers.
 2 500-kilowatt rotary converters.
 3 switchboards.
 3 pumps, 100 horsepower each.
 1 storage equipment.
 Current delivered at 13,800 volts.
 Cut to 2,300 volts, 230 volts, 110 volts.

Water supply:

Piping—
 4 16-inch lines—
 2 low, 50 pounds.
 2 high, 90 pounds.

Sewerage system:

Dimensions—
 6 inches to 1 foot 6 inches, 5,000 feet long.
 Discharge, 1.6 second-feet to 3.5 second-feet.

Fire protection:

Storage, sprinkler system.
 Warehouses—
 Stand pipe, hose.
 Extinguishers, hydrants.

Shipping facilities:**Wharf shed—**

First floor (deck), live load 600 pounds.

31 feet 6 inches overhead clearance.

Second floor, 400 pounds; 29 feet 8 inches overhead clearance.

Construction, structural steel concrete curtain.

Heating, offices only.

Dimensions, 2 stories, 100 by 1,638 feet.

Area, square feet, 328,000.

Loading, can be done direct to ship from second floor.

Equipment—

4 electric bridge cranes, 2½-ton, 44-foot.

2 steam locomotive cranes, 15-ton.

1 steam locomotive crane, 18-ton.

1 steam locomotive crane, 40-ton.

24 electric dock winches (2,500 pounds, at 225 feet per minute).

Wharf:

Area, 10 acres.

Construction, concrete on piling.

Dimensions—Wharf capacity, 5,400 feet long for berthing; 4,100 linear feet in straight line; 35 feet wide at wharf shed with two railroad tracks and crane track; open wharf, 125 feet wide; double railroad track line; pier shed wharf, 28 feet wide; both sides shed, 25 feet wide at pier end.

SOUTH BROOKLYN ARMY SUPPLY BASE.**Warehouses:**

Number, 2 (A and B).

Construction, reinforced concrete.

Dimensions—

A, 200 by 980 feet.

B, 306 by 980 feet.

Paving—

Granolithic.

Broken mastic aisles.

Load per square foot—

Dock to third floor, 300 pounds.

Other floors, 250 pounds.

Elevators—

A-30, 10,000 sp. 150 feet P. M.

B, 42, 10,000, auto and operator.

Floor area, square feet—

A: Gross, 196,000; net, 156,800.

B: Gross, 251,040; net, 200,832.

Total area, square feet—

A: Gross, 1,568,000; net, 1,254,400.

B: Gross, 2,008,320; net, 1,606,856.

Heating, high-pressure steam.

Stories, 8.

Pier sheds:

Number, 3.

Construction, structural steel.

Dimensions, 145 by 1,270 feet.

Stories, 2—

Load, first floor, 500 pounds.

Load, second floor, 300 pounds.

Operating devices, steel cargo beam and walkway.

Elevators, provision for 12 not installed.

Floor area, square feet, 939,163 (total).

Power plant:

Dimensions, 88 by 137 feet.

Construction, reinforced concrete and girder.

Equipment—

6 440-horsepower Babcock & Wilcox boilers.

3 fans, 66,000 cubic feet P. M.

3 150-horsepower motors.

3 boiler-feed pumps.

1 feed-water heater, 6,000 horsepower.

Power plant—Continued.**Equipment—Continued.**

2 fire pumps, 100 gallons per minute, 100 pounds pressure.

1 fire pump, 1,000 gallons per minute.

Coal and ash equipment.

Stacks, 1; custodies—bottom, 20 feet; height, 242 feet; top, 12 feet.

Direct high-tension service water supply:**Equipment—**

3 centrifugal pumps.

2 steam turbines.

1 electric motor.

Sewerage system, direct connection city system.**Fire protection:****Equipment—**

2 12-inch high-pressure, 20-inch low-pressure city system standpipe and tanks.

Shipping facilities:

Piers, Nos. 1, 2, 3, 4.

Dimensions—

No. 1, uncovered, 60 by 1,346 feet.

No. 2, covered, 150 by 1,324 feet.

No. 3, covered, 150 by 1,307 feet.

No. 4, covered, 150 by 1,293 feet.

Construction, concrete deck slab, bent and pile.

Slips, 4—

A, 145 feet wide.

B, 195 feet wide.

C, 250 feet wide.

D, 250 feet wide.

Tracks—Double standard-gauge center each pier. Yards connect with bush terminal and L. I. R. R.; 4 float bridges, 17 miles track. 172 switches

PORT NEWARK ARMY SUPPLY BASE.**Warehouses:**

Number, 9 (Nos. 1 to 9).

Construction, terra cotta-brick-timber.

Dimensions, 161 by 1,121 feet.

Stories, one (except No. 4 has 2).

Area, each, square feet—

Gross..... 180,481

Net..... 162,433

Area, total square feet—

Gross..... 1,624,329

Net..... 1,461,897

Other data—

18-foot platform both sides, each.

Warehouse, 4 heated.

Sheds:

Number, 2 (A. and B.).

Construction, light frame—one story, sides and ends open.

Dimensions, 161 by 1,121 feet.

Floor area, square feet—

Gross..... 180,481

Net..... 162,433

Total area, square feet—

Gross..... 360,962

Net..... 324,866

Shipping facilities:

Bulkhead wharf, 80 by 3,800 feet, 956 feet covered; ramps to warehouses, 1 to 5 inclusive; 3 tracks west side to No. 4; load 800 pounds per square foot.

PHILADELPHIA ARMY SUPPLY BASE.**Pier shed:**

Dimensions, south wing 96 feet wide, north wing 102.5 feet wide, 1,500 feet long.

Construction, reinforced concrete and brick.

Floor area, square feet—

Gross..... 279,750

Net..... 253,088

Pier shed—Continued.

Total area, square feet—

Gross.....	893, 250
Net.....	759, 263

Load per square foot, 500 pounds.

Stories, 3.

Fire protection, sprinkler system throughout.

Shipping facilities:

Piers, 2 (B. and C.).

Construction, untreated pile and timber.

Dimensions, Pier B 290 by 1,500 feet, covered; Pier C 290 by 1,320 feet, open; north apron, Pier B, 35 feet 9 inches wide; south apron, Pier B 11 feet wide.

Slip between B and C 250 feet wide.

Slip north side of C 72.5 feet wide.

Slip south side of B 105 feet wide.

(The hearing was thereupon adjourned subject to the call of the chairman.)

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,**HOUSE OF REPRESENTATIVES,***Washington, D. C., Thursday, June 9, 1921.*

The committee met at 10.30 o'clock a. m., Hon. William S. Greene (chairman) presiding.

The CHAIRMAN. The bill before the committee this morning is H. R. 5348, introduced by Mr. Edmonds, and we are to hear from the Navy and Marine Corps to-day.

Mr. EDMONDS. Possibly I had better make a little explanation, Mr. Chairman, before we start. We have heard from the Army, in connection with the Army Transport Service and the idea to-day is that the Navy will give us full information as to their operations, their cost, the ships they use in the transport service and everything in connection with the service. We want to get from you gentlemen this morning what work the Navy is doing and the amount that it costs.

Now, this bill has been drawn with the idea of utilizing the transport service, if possible, as a basis for building up steamship lines to certain parts of the world where we have the transports going to-day. It may be possible, should this permission be given, that it can only be availed of in the Pacific. I think it can be availed of in the Pacific beyond any question. If it is possible to build a good stable line of steamships, running between our coast and the Pacific coast, or between the Pacific coast and the Asiatic coast, with this work of the Government as a basis, it obviates, of course, the necessity of giving a subsidy to such a line.

The transport service, when you take the overhead, is in all probability an expensive service. You can realize that the mere charge of \$1.75 or \$2 a day for the feeding of the people on board does not begin to cover the cost of the service. And there is an opportunity, I think, in the Pacific, to utilize this service to build up a good steamship line to Asiatic ports.

This bill gives the President permission to make a 10-year contract with such lines for the carrying of the transport work. I notice in the issue of Nauticus of June 4, 1921, an article in which they speak

of the different countries and what they have done along that line. It says:

The principal difficulty in the premises, however, is that Government departments never include capital charges in their cost accounts, and items that private companies would include in operating charges are, under Government operation, taken care of through special appropriations. On the other hand, there is no question but that the work of training personnel is effected whether or not troops and Army supplies are carried in department-controlled transports or in private vessels. It can not be truthfully said that the British War Office is not able to perform Army transport work with efficiency. Yet since the seventies the work of transporting British troops has been performed exclusively by chartered vessels. It was indeed the objections entertained by British army officials to conditions existing on board the special troop transports placed under the control of the British Admiralty, which led the British Government to adopt the policy of chartering suitable liners for trooping purposes or the transport of remounds and draft animals.

Imperial Germany never owned army transports. It was the very necessity of sending home drafts from German warships in China by British liners which caused Prince Bismarck to ask the Reichstag to supply the necessary funds to establish a regular liner service to China under the German flag. This was the beginning of the relations between the Norddeutscher Lloyd and the Imperial Government, which in due course were extended to cover the German possessions in the Pacific, while similar arrangements were made with the Ost-Afrika Line for trooping and mail service to east and southwest Africa. It is obvious that a policy of either chartering suitable vessels or contracting with certain lines for transport service is conducive to greater efficiency than the operation of special vessels which can not be replaced as frequently as desired owing to the difficulty of obtaining the necessary credits; whereas, the needs of trade prompt the steamship companies to rejuvenate their fleets, thus affording the War Department the opportunity of securing the very best. In not a single emergency has the United States Army Transport Service been able, with its own resources, to avoid calling upon private shipping for assistance. Is it not, therefore, conducive to greater economy of transport operation and greater prosperity for American shipping to give the sole handling of troop-carrying and military supplies to privately owned ships?

Now, if we can utilize our transports, even at one point on the Pacific, for building up a steamship line, we will have that much gained, because the steamship line would naturally carry other commodities than military supplies and troops; and to-day the transports can not carry anything other than military supplies and troops in the work they are performing.

Mr. BANKHEAD. What points have you in mind for the establishment of these lines?

Mr. EDMONDS. From San Francisco to Manila, I think, would probably be a line where we can do it, but while we are at it we might as well go into all the transport service. Now, in regard to the amendment to section 19, on which we ought to hear from the Panama Steamship Line—and we expect to have them before us later on—what happened is this—and I think it will show you the necessity for some legislation here: We had four steamers allocated from the Shipping Board, together with three privately owned steamers of the Southern Steamship Co., of Philadelphia. The four steamers were operating to Houston, Tex. They were backed by two or three boards of trade around Houston and the Houston people were very anxious to have this line operate, but the freight out from Houston was seasonal; in other words, at certain times of the year they had a lot of freight out and at other times not. They were carrying a good bit of cotton—some of it Mr. Hardy's cotton, I have no doubt, came up in their ships—and when they found they could not get freight out of Houston the Shipping Board wanted to withdraw the steamers. So the operators of the steamers, with the idea of keeping them on

for the busy season, went over to Tampa and tried to get a contract to carry phosphate from Tampa, running the steamers in ballast from Houston to Tampa, and then up to New York with a load of phosphate. The Shipping Board told them they would have to make a rate of \$6. The Panama Steamship Line came in and took it for \$4. Now, there were two Government agencies fighting with each other. The result is the four steamers have been withdrawn—the three privately owned steamers are still operating—and the Panama Steamship Line put those four Shipping Board ships out of commission. That is the story in connection with that one line, and that is true of other lines.

Now, the Panama Steamship Line has been enlarging its operations. It is doing work now, I believe, to Jamaica and Haiti, and I think maybe it stops at Porto Rico, and has opened a new line, starting to-morrow, to go over to Cartagena, and I believe is doing business down the Pacific coast. Now, the operation of the Panama Steamship Line in competition with the Shipping Board should not be allowed; two Government activities should not be fighting each other.

Mr. HARDY. Right there. What was the sense of the Shipping Board sending ships down to Tampa to perform a service that the Panama Steamship Line was already performing and, on its natural route, was so situated it could perform it cheaper than anybody else? They come right by Tampa, practically.

Mr. EDMONDS. No; the Panama Steamship Line went out of its route to go to Tampa, and the Houston steamers did not go out of their route to go to Tampa.

Mr. HARDY. It is right along the line; Panama to New York is not far from Tampa.

Mr. EDMONDS. Tampa is on the west coast of Florida, and it means going up on the inside of Florida and coming out again.

Mr. HARDY. It was not directly on the route from Houston.

Mr. EDMONDS. It was directly on the route from Houston, Tex., beyond any question; you have to recognize that.

Mr. BANKHEAD. This bill would not have any effect in correcting that sort of a situation, would it?

Mr. EDMONDS. In the second section you will notice that the Shipping Board has a supervisory handling of the Panama Steamship Line, along with the War Department.

Mr. HARDY. It looks to me like we have one line that seems to have ingenuity enough to prosper, and you want to take it out of the control of those who are handling it.

Mr. EDMONDS. The statement is made that the Panama Steamship Line is not prospering; that it is losing money.

Mr. HARDY. And that is contradicted by the statement of the officers that they have always prospered.

Mr. EDMONDS. We are going to have them down here. I understand they lost \$250,000 last year, although I am not sure of that. It is not my purpose to interfere with anything that is right, but it is my purpose to prevent every possible conflict between two departments of the Government. There should not be that conflict.

Mr. HARDY. There ought not to be a conflict, but my recollection is the Panama Steamship Line professed to claim they made a profit. I do not know about the last year.

Mr. EDMONDS. We will know that before we get through; we are going to have them down here.

Mr. JEFFERIS. Is the Panama Steamship Line owned by the Government?

Mr. EDMONDS. The Panama Steamship Line is owned by the Government, and the Shipping Board boats are owned by the Government; and the two are competing with each other.

Mr. HARDY. We took the Panama Steamship Line over, together with the railway line, when we made a contract to buy the canal from the French company there; we took the railway line and four steamers, known as the Panama Steamship Line. However, I think that is not a matter for discussion this morning.

Mr. EDMONDS. No, and we are going to have the Panama Steamship people here to hear what they have to say, anyway.

STATEMENTS OF CAPT. A. W. MARSHALL, OFFICE OF NAVAL OPERATIONS, NAVY DEPARTMENT, AND DIRECTOR OF SHIP MOVEMENTS; LIEUT. COMMANDER C. J. MOORE, ASSISTANT DIRECTOR OF SHIP MOVEMENTS, AND COMMANDER J. H. KLEIN, JR., BUREAU OF NAVIGATION.

The CHAIRMAN. Give your name to the stenographer and tell us what your official position is.

Capt. MARSHALL. Capt. A. W. Marshall, Office of Naval Operations, Navy Department; director of ship movements, under which the Naval Transport Service is operated.

The CHAIRMAN. How long has that Naval Transport Service been in operation?

Capt. MARSHALL. As the Naval Transport Service it has been operated under that name for about a year now. Before that, and during the war, it was called the naval overseas transport service.

Mr. BANKHEAD. Before the war, did you say, or after the war?

Capt. MARSHALL. During the war the naval overseas transport service was organized, and this Naval Transport Service is its successor. It has left out the word overseas.

Mr. BANKHEAD. You had no such work in the Navy before the war?

Capt. MARSHALL. No, sir; but we had the naval auxiliaries, which were really merchant vessels operated under the Navy—practically under the same status.

Mr. DAVIS. How long had that auxiliary service been in operation?

Capt. MARSHALL. That came into being about the time of the Spanish War.

The CHAIRMAN. And was continued from the time of the Spanish War up to the time of the breaking out of the World War?

Capt. MARSHALL. It was called the naval auxiliary service from right after the Spanish War up to the time of the World War, and then they changed the name to naval overseas transport service, and took over all the merchant vessels and operated them.

The CHAIRMAN. It was maintained by appropriations from the Treasury Department?

Capt. MARSHALL. Under the naval bill; yes, sir.

Mr. HARDY. Right in connection with that: Up to the time we passed the shipping act, the auxiliary service was very deficient; we had to hire private vessels for the transportation of troops in the Spanish War, did we not?

Capt. MARSHALL. We certainly did, sir.

Mr. HARDY. And we had no competent auxiliary service belonging to the Government; and that was one of the big things involved in that first bill.

Capt. MARSHALL. What there was of it was competent, but it was not of a sufficient size to supply the needs for the Navy and we had to hire private vessels.

Mr. HARDY. When we passed that bill, it appropriated \$50,000,000 for the acquisition or construction and chartering of vessels, largely for the purpose of giving the Navy sufficient auxiliaries?

Capt. MARSHALL. Yes, sir.

Mr. HARDY. That was practically the beginning of the Government's auxiliary ship owning?

Capt. MARSHALL. Practically so, sir.

Mr. DAVIS. What was the date of that appropriation bill you speak of?

Mr. HARDY. That was in 1915 we passed that; that is the original shipping act, in which, when we established the Shipping Board, we provided for the Government's being authorized to build or buy ships—I believe we did not provide for acquiring them without building or buying—and we appropriated \$50,000,000 in order to carry that out. Mr. McAdoo came before the committee and other officials, and stated that if we got into a war the Navy was without auxiliaries and that this would probably give us sufficient auxiliaries in case we got into a war.

The CHAIRMAN. That was a war measure, practically—preparing for war?

Mr. HARDY. Preparing for rounding out our Navy. That was one of the main things.

Mr. DAVIS. From the time of the Spanish-American War up until the passage of the shipping act, and the appropriation mentioned, how many auxiliary transports did the Navy have in operation?

Capt. MARSHALL. I think there were about 10 vessels of those that had been bought by the Navy during the Spanish War, and we called them at that time the Naval Auxiliary Service and they consisted of colliers and supply ships and, among others, was the *Solace*, which was a hospital ship; and they all belonged to the Naval Auxiliary Service.

Mr. HARDY. Wasn't it recognized when we got into that Spanish War that we paid rather exorbitant prices in order to get the use of the ships we needed, and we hired some of them from foreign Governments, too, did we not?

Capt. MARSHALL. We did; we not only hired some but we bought some.

Mr. HARDY. At enormous prices?

Capt. MARSHALL. Yes.

Mr. EDMONDS. Are you speaking of the Spanish War or the late war?

Mr. HARDY. The Spanish War.

Mr. EDMONDS. The same was true of the late war.

Mr. HARDY. We had to hire all of our auxiliaries in the Spanish War, practically.

Capt. MARSHALL. The same would be true in any war.

Mr. HARDY. Unless we had ships of our own.

Capt. MARSHALL. Unless we had ships of our own.

Mr. EDMONDS. If we had a war to-day we would have to do the same thing over again.

Mr. MILLS. That is largely due to the absence of a merchant marine?

Capt. MARSHALL. That was largely due to the absence of sufficient Government-owned vessels in the merchant service, and also to the lack of vessels that we had to operate for Navy account purely and simply.

Mr. BANKHEAD. I suggest that the witness be permitted to address himself to the questions dealing with this bill we have under consideration, Mr. Chairman.

The CHAIRMAN. Yes. I asked that as a basis. Now, if you will, please take up the bill.

Mr. EDMONDS. Suppose you give us a statement of your department—whatever you have there.

Capt. MARSHALL. The Navy Department at the present time maintains colliers, tankers, and refrigerator ships for the supply of fuel and provisions to naval vessels and naval stations, wherever they may be situated. These ships are manned by naval personnel and are considered for that reason as being regularly commissioned in the Navy as men-of-war; that is, they enjoy that status whenever they go into any foreign port, and that exempts them from harbor dues and such formalities as that. And we only employ them on special routes or to accompany the fleets, or from United States ports to other parts where either the fleets are operating as bases or merely to supply those bases. We have certain bases in the West Indies and certain others in the Pacific Ocean in addition to those on the east and west coasts of the United States.

We only have a few small cargo vessels for the transportation of special shipments of military supplies and explosives, and so on, that can not be shipped in merchant vessels. They (merchant vessels) will not take explosives. That can be readily understood, because they do not know how to care for them or to handle them. And I think under the laws they are prohibited from carrying them.

The only regular transport service maintained by the Navy Department at the present time is that to supply ports in the West Indies, such as Guantanamo and the island of Haiti, that is, in the Republic of Haiti, Santo Domingo, and the Virgin Islands; and also to supply the fuel for the use of the naval ships in the Panama Canal Zone; to transport coal to the west coast and to Hawaiian waters, to the naval base there at Pearl Harbor, to the naval base at Samoa, Guam, and the Philippines. The transport service that goes to the Philippines consists of only two vessels at the present time that are operated by the Navy. The *Newport News* and the *Pensacola* are the names of the two vessels. They are not very large craft.

Mr. MILLS. How large are they?

Capt. MARSHALL. The *Newport News* has cargo space of 4,500 tons and the *Pensacola* 5,900 tons.

Mr. MILLS. Do they carry full cargoes on each trip?

Capt. MARSHALL. They do on the outward voyage. On the return trip they do not, merely taking cargo on for ballast, if possible to obtain it. And they are confined to carrying merely Government supplies and do not compete with the steamship lines, with this exception, that from Guam, which is a closed port not open to trade,

not open to merchant vessels, they do carry commercial cargoes for the few merchants that are there. But that is the only place where they are allowed to take any commercial cargo or in any way to take supplies that could be carried in privately owned bottoms.

Mr. MILLS. They come back in ballast, then?

Capt. MARSHALL. They come back in ballast. Sometimes they have gone to Japan from Manila for the sake of ballast and taken coal for the Army account and carried it as far as Pearl Harbor; but that is more for the purpose of ballast than for the sake of getting cargo.

Mr. MILLS. Generally speaking, they carry a full cargo out and come back empty?

Capt. MARSHALL. Generally speaking, yes.

Mr. MILLS. That is not economical operation, is it?

Capt. MARSHALL. That is not economical operation. We really prefer, if space can be obtained, to use merchant shipping and wherever we can we always do it—we take advantage of it in every case. We do not consider that the Navy should operate vessels where they would compete with merchant vessels, and we can not operate them as economically as we can obtain cargo space from well-established lines.

Mr. MILLS. So that you would approve of the principle of this Edmonds bill?

Capt. MARSHALL. I would approve of the principle of that. But there are certain services that merchant vessels, operated by private concerns, could not perform. For instance, the carrying of military supplies, explosives, and all that sort of thing, is entirely out of the question by merchant vessels.

Mr. DAVIS. Does any of the cargo to which you refer, going to the Philippines, consist of military supplies and explosives?

Capt. MARSHALL. Yes, sir; a great deal of it.

Mr. HARDING. Did I understand you to say that the only reason why you came back in ballast was because you were not allowed to carry cargo except for the Government?

Capt. MARSHALL. We are not allowed with that one exception, Guam, which is a closed port and not a trading port.

Mr. HARDY. Then, by reason of that prohibition against carrying cargo, necessarily your ships have to come back empty?

Capt. MARSHALL. That is the reason.

Mr. HARDY. Not that you could not get a cargo if you were permitted to get something, but you are not permitted?

Capt. MARSHALL. We are not permitted to, and we wish to encourage merchant shipping as much as possible. It is a great advantage to the Navy and to the United States to have operating a large merchant marine, because it is a great asset in time of war, and we do not want to compete with them in any way.

Mr. HARDY. Then you have these auxiliary ships that you find are necessary for the carrying of commodities that you have to carry, for the Government's uses, to various places, and you have those ships hampered, so far as earning anything is concerned, by a prohibition against their bringing any real cargo that would pay freight?

Capt. MARSHALL. Yes, sir.

Mr. JEFFERIS. Is that prohibition by reason of rule or is it a law?

Capt. MARSHALL. It is a matter of policy of the Navy Department; I do not believe it is a law.

Mr. EDMONDS. We struck out of the Army appropriation bill the right of the Army to carry passengers or freight in their transport service. I presume the same thing applies in the Navy. But you do not run any regular service anywhere?

Capt. MARSHALL. We operate these two ships regularly between San Francisco, Pearl Harbor, Guam, and Cavite, and then we run the regular transport service to the West Indies.

Mr. BANKHEAD. What is the schedule for those two ships, Captain; how often do they sail?

Capt. MARSHALL. Only about three trips a year apiece.

Mr. BANKHEAD. Have you the figures showing the cost of operation of those two vessels?

Capt. MARSHALL. Yes, sir.

Mr. BANKHEAD. I would like that to go in the record.

Mr. EDMONDS. I think the captain has that all in a letter.

The CHAIRMAN. You are going to give us that?

Capt. MARSHALL. You are perfectly welcome to have that.

Mr. BANKHEAD. I would like him to segregate these two particular ships in the Pacific transport service, so that we might have an illustration.

Capt. MARSHALL. Yes, sir. This is made up more or less for my own information, but you are perfectly welcome to have it. From June 1, 1920, to June 1, 1921, the *Newport News* operation cost was \$220,736. For the *Pensacola*, for the same service, it was \$192,520.

Mr. MILLS. What do you include in that cost for the *Newport News*; strictly operating costs?

Capt. MARSHALL. Strictly operating costs.

Lieut. Commander MOORE. It includes the fuel and stores, engineering and deck stores, pay of personnel on board, and everything except minor repairs.

Mr. MILLS. It does not include, of course, such items as insurance, depreciation, or interest on investment; that would have to be carried by private vessels?

Capt. MARSHALL. We carry no insurance, and we wipe off nothing for depreciation.

Mr. MILLS. So you make a pretty good showing?

Mr. EDMONDS. You charge nothing for overhead and there is no charge for wharfage?

Capt. MARSHALL. No charge for wharfage, anchorage dues or port dues, or anything of that kind.

Mr. EDMONDS. And no overhead?

Capt. MARSHALL. And no overhead, as far as the Navy Department is concerned. That overhead works out in the charge for the whole Navy, because you would have the organization there just the same.

Mr. EDMONDS. This is just for the actual physical operation of the ships?

Capt. MARSHALL. That is all, sir.

Mr. HARDY. Not including repairs, even?

Capt. MARSHALL. Not including repairs.

Mr. DAVIS. Have you the figures of the tonnage carried during the year, going and returning, so that you can give it separately?

Capt. MARSHALL. The *Newport News* carried a total during that time of some 11,000 tons; the *Pensacola*, 20,000 tons. That is going

both ways. On the return voyages there would be about 3,000 tons for each as a total for the year.

Mr. DAVIS. Did you carry passengers?

Capt. MARSHALL. The *Newport News* has a passenger-carrying capacity, first class, of 4 and the *Pensacola* of 25. Enlisted personnel, *Newport News*, 125; *Pensacola*, 150. The passengers actually carried during the year were: *Newport News*, 29; *Pensacola*, 129; and of enlisted personnel, *Newport News*, 193; *Pensacola*, 298.

Mr. HARDY. What do you mean by enlisted personnel?

Capt. MARSHALL. The enlisted men of the Navy.

Mr. HARDY. Carried as troops, or something of that sort?

Capt. MARSHALL. You can consider them in the same class as troops.

Mr. HARDY. They are not part of the crew of the vessel?

Capt. MARSHALL. No, sir; these are passengers.

Mr. HARDY. But not first-class passengers?

Capt. MARSHALL. No, sir.

Mr. EDMONDS. Do you carry any passengers outside of any part of the naval force?

Capt. MARSHALL. Once in a while, by special authority of the Navy Department, we carry civilian employees—one or two, or something of that kind—who are going out as foremen, or something like that, for the various naval stations.

Mr. CHINDBLOM. But only employees of the Navy Department?

Capt. MARSHALL. Only employees of the Navy Department.

The CHAIRMAN. No citizens outside of employees?

Capt. MARSHALL. It is against our policy to carry civilian passengers.

Mr. EDMONDS. Couldn't your requirements for service in going to Guam be taken care of in Army transports, outside of explosives?

Capt. MARSHALL. They have not the room for that. Our service there now is not adequate and the Army promised us that they would handle any excess that we could not take, but they have been so crowded lately that we have been unable to get adequate service from the Army.

Mr. BANKHEAD. Did you give the cost of operation of the *Pensacola*?

Capt. MARSHALL. Yes, sir; \$192,520.

Mr. DAVIS. What was the tonnage carried on the *Pensacola*?

Capt. MARSHALL. Twenty thousand tons.

Mr. ROSENBLUM. Are there any privately operated lines between these points?

Capt. MARSHALL. I really can not say just what lines there are. Of course, there are privately operated lines between San Francisco and Honolulu, but there is none from there to Guam and none direct to the Philippines. But private lines, of course, go to the Philippines by way of Japan and China, which is quite a roundabout way.

Mr. ROSENBLUM. Have you any idea of the charge made for hauling similar trade by the privately owned lines?

Lieut. Commander MOORE. The mean freight rate, that is, to Pearl Harbor, Guam, Manila, and Cavite, would probably be about \$15 a ton; and, at that rate, the freight we carry across the Pacific would have cost us about \$465,000.

Mr. ROSENBLUM. That is in both of your transports?

Lieut. Commander MOORE. Both of the ships; yes, sir.

Mr. ROSENBLUM. So that the cost is about the same as if you shipped by private lines, without maintenance or anything else?

Mr. MILLS. Or interest on capital investment.

Mr. ROSENBLUM. Interest on capital investment, depreciation, insurance, or maintenance.

Mr. DAVIS. What percentage of that tonnage consisted of munitions and explosives, that would not be carried by private merchant ships?

Lieut. Commander MOORE. Strictly explosives would be a very small per cent; and regular Navy consumable stores, provisions, clothing, construction material, machinery, and spare parts and things of that sort would make up the remainder of the cargo to keep the vessels on the Asiatic station supplied.

Mr. HARDY. Let me make a suggestion right there: Take the *Pensacola*, \$192,000 for operation, carrying 20,000 tons; that is less than \$10 a ton that it cost you to carry that freight, and by a private line it is \$15.

Mr. ROSENBLUM. By a private ship it is \$15 a ton and she carried 20,000 tons.

Mr. CHINDBLOM. You say the total cost is \$465,000. That would be about \$15 a ton for the freight, and that would not be charging anything for the passenger service.

Lieut. Commander MOORE. The mean first-class passenger rate across the Pacific would probably be \$250 a person.

Mr. DAVIS. How much second class?

Lieut. Commander MOORE. Probably \$150. That is the mean rate. The lowest rate direct to Manila is about \$370, and of course a less rate to Pearl Harbor; so that the transportation of passengers across the Pacific would probably have cost us \$102,000, counting both enlisted and officer passengers. Now, we did not carry all of our officers and enlisted men on those ships; we use the Army transports as much as possible, as far as we can get space.

Mr. CHINDBLOM. What would be the money value of the passage for those passengers that went on the Army transports?

Commander KLEIN. Less than 10 per cent went on the Navy transports and 90 per cent went on the Army transports.

Mr. CHINDBLOM. Then you would add another \$10,000 for the passage of those who went on the Army transports?

Commander KLEIN. Yes, sir.

Mr. EDMONDS. That would be counted in the Army transports; it would not have any effect on the result of this?

Capt. MARSHALL. That would not have any effect on the result here.

Mr. CHINDBLOM. I am trying to get at the total cost of the transportation of freight and passengers by the Navy Department in the Pacific.

Mr. EDMONDS. This is just this particular line. The service to Guam, on account of it being a closed port, unless we should change our policy, would be absolutely necessary. There are about 12,000 or 15,000 people there and they have no outlet at all for their commodities and have no inlet; they have got to be carried either on the Army transports to-day or be carried on the Navy transports. Do the marines work too, Captain?

Capt. MARSHALL. That includes the marines; yes, sir.

Mr. EDMONDS. That is included in here?

Capt. MARSHALL. Yes, sir.

Mr. EDMONDS. Are you handling the marine transports?

Capt. MARSHALL. The marines operate no transports; they are all operated by the Navy.

Mr. EDMONDS. What became of that one at Philadelphia; are you operating that one now?

Lieut. Commander MOORE. Yes, sir; she has always been a Navy transport, operated and run by the Navy and not by the marines by any means.

Mr. EDMONDS. The general impression was that she was run by the Marine Corps.

Lieut. Commander MOORE. Never.

Capt. MARSHALL. She is regularly in commission and commanded by a naval officer.

Mr. EDMONDS. Freights are considerably cheaper on the Pacific now than when you made that estimate, are they not?

Lieut. Commander MOORE. No, sir.

Capt. MARSHALL. These figures are made up from June 1 a year ago this June.

Mr. HARDY. Have you figured out what this service would have cost you at the going rates for carrying both your tonnage and your passengers, first and second class, by private service at private prices?

Lieut. Commander MOORE. Those were the figures I gave you, sir. For the freight it would have cost \$465,000, and passengers \$102,000.

Mr. HARDY. It would have made \$567,000 by private lines, while it has cost the Government, under your service, about \$465,000?

Lieut. Commander MOORE. Yes, sir.

Mr. ROSENBLUM. That is, there has been an outlay of that much money, but you have not figured anything for invested capital or overhead or repairs or anything of that kind?

Lieut. Commander MOORE. The capital investment in our ships is practically nothing; they are all ex-German ships taken over at the time of the war.

Mr. ROSENBLUM. They probably cost you about a billion dollars, then, because that is all you will get out of it.

Mr. HARDY. According to your figures, there is about \$100,000 difference. What is the actual difference between what it has cost you and what it would have cost if you had had the service performed by private ships?

Lieut. Commander MOORE. I would say about \$50,000. There were \$25,000 worth of repairs on the two ships.

Mr. HARDY. I am going to leave out repairs. As a matter of fact, the Government is out, not including repairs or overhead charges, \$465,000 for the carrying of these passengers and tonnage?

Lieut. Commander MOORE. Yes, sir, \$465,000 for the carrying of the passengers and tonnage.

Mr. HARDY. And it would have cost, to have the same service performed by private ships, \$565,000?

Lieut. Commander MOORE. Yes, sir.

Mr. HARDY. So that you have a difference of \$100,000 to cover overhead cost, repairs, and insurance?

Lieut. Commander MOORE. Yes, sir.

Mr. HARDY. Now what proportion of this service that is included in the \$465,000 would be such that you could not have merchant ships do it; for instance, carrying munitions?

Lieut. Commander MOORE. Well, probably over half of the service could have been carried by merchant ships.

Mr. HARDY. If over half could have been carried, then we will say somewhat under half would have had to be carried by you and you would have had to maintain some of this service to do it?

Lieut. Commander MOORE. Yes, sir.

Mr. EDMONDS. Of course, the cargo boat can carry munitions, you know, if it wants to do so, but not the passenger boats. It is against the law for a passenger boat to carry munitions, but a cargo boat can carry munitions.

Mr. DAVIS. Not at the rate they gave there, Mr. Edmonds; the freight rate for munitions is not the rate they are figuring on, is it? Don't they have to pay a very high rate on that, because the boat, of course, has to pay very much more insurance?

Mr. EDMONDS. The insurance would be the only thing that would raise the rate.

Mr. HARDY. Now, then, I want to get this thing all rounded out. You have a difference between what you would have had to pay out, if you carried by private companies, of \$100,000, and you are not charging yourselves up in your sum total with anything for repairs, insurance, or depreciation.

Mr. EDMONDS. Or overhead.

Mr. HARDY. I suppose that is all the overhead there is, practically, after you get the operating expenses. Now, then, that difference of \$100,000 is in favor of the Government's present plan over private service?

Capt. MARSHALL. Yes, sir.

Mr. HARDY. And if you adopted the private service system, you would still have something less than half of this tonnage that you would have to carry by some war vessel?

Lieut. Commander MOORE. Yes, sir.

Mr. HARDY. And you would be out how much to carry that?

Lieut. Commander MOORE. Approximately the cost of the operation of one vessel—\$220,000.

Mr. HARDY. So that half of this cost you would have to carry anyhow?

Lieut. Commander MOORE. Yes, sir.

Mr. HARDY. You would be saving, then, \$245,000 of Government expenditure and you would be paying out \$565,000—not quite that much, but something like that—for private service.

Mr. EDMONDS. You have to deduct the cost of carrying half that freight from the \$565,000.

Mr. HARDY. Let us deduct that, then, and you would still have, say, instead of it costing \$565,000, you would make it cost only 60 per cent, about \$300,000. Now you have \$300,000, plus \$220,000 as the outlay that the Government has to encounter; so that you would not save any money, would you?

Lieut. Commander MOORE. Not very much, sir.

Mr. HARDY. Would you save any?

Lieut. Commander MOORE. Probably not.

Mr. HARDY. Wouldn't you lose more than \$100,000?

Lieut. Commander MOORE. Well, it would appear differently in the appropriation bill; that is, we would have to have approximately \$500,000 increase in our freight appropriation and in our transportation of personnel appropriation in order to cover the increased expense of shipping by merchant vessels; whereas the decrease in our appropriations for the operation of the vessels would probably not amount to more than \$200,000.

Mr. MILLS. How much is one of those vessels worth to-day?

Lieut. Commander MOORE. Very little, sir.

Mr. MILLS. Why do you say that?

Lieut. Commander MOORE. According to the selling prices of tonnage. In fact, we can not sell any tonnage.

Mr. MILLS. I know that; but what would they cost you to build?

Lieut. Commander MOORE. I imagine they would cost about \$150 a ton.

Mr. MILLS. And what is the tonnage?

Lieut. Commander MOORE. About 12,000 dead weight.

Mr. CULLEN. It would cost \$200 or \$225.

Mr. EDMONDS. Oh, no; you can get ships built for \$150 a ton to-day.

Mr. JEFFERIS. They claim they can get them built for \$60 a ton and that therefore the Shipping Board ought to sell for \$150.

Mr. CULLEN. There is no market for the vessels the Shipping Board has; they have ships and can not sell them.

Mr. MILLS. Now if the Government maintains this service, it will have to make, from time to time, a very considerable capital investment, will it not?

Lieut. Commander MOORE. Yes, sir; I imagine so.

Capt. MARSHALL. Naturally you would.

Mr. MILLS. That must be so; vessels do not go on forever.

Capt. MARSHALL. If the vessels have to be replaced, then we would have to pay out money for the new one.

The CHAIRMAN. You might get them with the money Mr. Hardy says is saved and that they have in the Treasury.

Mr. DAVIS. As a matter of fact, we now have those vessels, as well as about 14,000,000 tons of other shipping owned by the Government, have we not?

Capt. MARSHALL. Yes, sir.

Mr. DAVIS. And with which we can not do anything?

Capt. MARSHALL. And if we laid these ships up, they would just deteriorate.

Mr. CHINDBLOM. What would be the cost of keeping them tied up to the docks, if you were to take care of them for some possible future sale or future use?

Mr. BANKHEAD. You mean of these two vessels?

Mr. CHINDBLOM. Yes.

Capt. MARSHALL. I do not know that I have any figures; but I was informed by Gen. Connor, of the Army Transport Service, the other day, that they had, I think, eight vessels laid up and it cost them \$1,500 a day.

Mr. CHINDBLOM. For each of them or for all?

Capt. MARSHALL. That was a month, rather; that is \$150 to \$200 a month as the cost for merely furnishing the wharf space, watchmen, and so on, just to keep those vessels tied up.

Mr. EDMONDS. In your case, you would keep them tied up to a navy yard and only have to put watchmen on them?

Capt. MARSHALL. That would be all.

Mr. EDMONDS. It would not cost you \$1,500 a month to do that?

Capt. MARSHALL. No; because we have no wharfage to pay and would merely have to maintain the watchman on board for their safety.

Mr. DAVIS. Can either of you gentlemen explain the difference in cost of operation of the *Newport News* and the *Pensacola*, with respect to the tonnage carried? It appears in the answers that the cost for tonnage on one of them was more than that on the other. How do you account for that?

Lieut. Commander MOORE. Well, the *Pensacola* has made two loaded trips westbound—practically three loaded trips westbound during the year—and two back, light. The *Newport News* has made two back partly light and one out loaded. It just happens during the past year the *Newport News* has made more trips light in proportion to trips loaded, westbound, than the *Pensacola*.

Mr. MILLS. How long are they tied up in port?

Lieut. Commander MOORE. They are tied up indefinitely. That is one of the big advantages of operating this service by the Navy, where we have to operate our ships for cargo purposes and as transports. We have to hold them in port and can not set a certain date for sailing. We have no facilities in Guam for handling cargoes.

Mr. MILLS. Is not that, incidentally, one of the most expensive methods of handling a ship?

Lieut. Commander MOORE. It is a method no merchant line would stand for.

Mr. MILLS. Which they could not stand for.

Lieut. Commander MOORE. They could not afford it.

Mr. CHINDBLOM. But very necessary, although very expensive, in the Navy?

Lieut. Commander MOORE. Very necessary and very expensive in the Navy.

Mr. MILLS. If you had a regular merchant service to these points, would you not get just as good service as you do now, with regular sailings?

Capt. MARSHALL. You would get better service there from a certain point of view, and then, from another point of view, which Lieut. Commander Moore just explained, they would not do it at all, because frequently in these outlying places it is difficult to land the cargo or to handle it; there are no wharves or facilities of any kind, and yet military necessity requires the shipment. Sometimes they lay off port and can not even get in, on account of the rough weather; nor can they land their cargo. That occurs sometimes down in the West Indies and around the island of Haiti. There are no lighters, no cranes, and no facilities whatever for handling heavy freight, and it must be done by the ship itself and by the ship's boats.

We are not trying to justify this service as necessary where in any way we can use commercial transportation. We would prefer to use commercial transportation; it is more expeditious and it is less work and less bother, and, in the long run, I think, perhaps it is cheaper.

Mr. MILLS. Let me ask you: Can you conceive of a more expensive or wasteful method of operation than has been discussed here

this morning, where the vessels are only in use part of the time, and when they do operate carry cargo only one way? When you consider the problem of operating a merchant ship, can you imagine more expensive circumstances than those?

Capt. MARSHALL. I can not; I heartily agree with you. But when it comes down to figures, it shows we can still do this—meet the military necessities, supply our bases and our ships in foreign ports, and still compare favorably as to costs with the merchant transportation.

Mr. MILLS. Oh, of course, if you wipe out some of the principal elements of cost, I will admit you can do it cheaper. If any private concern could wipe out the capital investment, wipe out depreciation, wipe out insurance, you would have an American merchant marine making money hand over fist.

Capt. MARSHALL. But, you see, we can not carry that part of it, as you call it, the overhead and the capital invested; we do not operate as a money-making proposition, and of course a ship, when it is paid for, when it is bought and obtained, that is just purely paper work from then on. And then, when she is sold, if she ever is, we just credit that amount; and, as far as the loss is concerned, that is not figured. What you say is very true.

Mr. MILLS. You agree, then, that the principle of the Edmunds bill is right, and wherever a private concern would give regular and adequate service you would be willing to have the Navy discontinue the service?

Capt. MARSHALL. Not only willing, but we would prefer it.

Mr. EDMONDS. And then do you not realize this, that if you are carrying 40,000 tons of freight, we will say, from the Pacific coast over to Asiatic points for some years, that if you are going to let a contract for the carrying of the freight and the passenger service you would be able to save considerable money? You know that, and so do I. It is only recently that a contract was closed by the English Government to carry 150,000 tons of coal to New Zealand for \$7.25 a ton.

Mr. CHINDBLOM. You do not mean to say, Mr. Edmonds, that we can make as good contracts here as England? You know the handicaps under which our ships operate.

Mr. EDMONDS. I know we can not do it; I am merely saying this, that if you walked into a steamship line and offered them 40,000 tons of freight as a basis for establishing a line, and, say, 500 passengers, a year, they certainly are not going to ask you, for carrying that freight and those passengers, the going rates on the ocean. Every man knows who has a grain of common sense that they will use that as a basis, and they will make you a price that is favorable to carrying that service.

Capt. MARSHALL. We have great difficulty from this point of view; that is, at the present time I believe we have exceeded the appropriation and have asked for a deficiency in the account of transportation of personnel. And on that account, and also as a matter of the policy of the Navy Department, wherever Government transportation is available, whether on regular men-of-war—battleships and cruisers, or whatever it may be—we put the personnel on board and send them. And, incidentally, we send stores, many of them, in that way. We take advantage of every voyage to do that. Naturally, you would agree that that is the best way to do.

Mr. EDMONDS. Surely.

Capt. MARSHALL. As cutting down the appropriations. But the handling of those is largely bookkeeping; if you reduce one on one side of the ledger you have to increase on the other. And at the present time our appropriation for fuel and transportation, and not only for stores but for personnel, is exhausted and we are trying to do the best we can with it; but we have to operate some vessels—a few. We have very few in the Navy operating as transports, and those two vessels on the Pacific coast are the ones, really, you might say, that might appear in competition with the merchant marine.

Mr. EDMONDS. I am not looking at it so much from the competitive end of the line as I am the utilization of those to build up a line.

Capt. MARSHALL. But there is some of that that could not be carried by that line, because any line operated across the Pacific would ordinarily carry passengers.

Mr. EDMONDS. That is true.

Capt. MARSHALL. And, in that case, they could not carry our stores or military supplies.

Mr. BANKHEAD. You stated if this bill was passed and a private line were established, that you could get along with one of those vessels a year for your purposes?

Capt. MARSHALL. I should think so.

Mr. CHINDBLOM. But you would have to have one?

Capt. MARSHALL. Yes, sir; perhaps with an increase where it does not show here. For instance, the cost of transportation here does not show in that appropriation; it shows in a different one than the cost of operating the ship; it comes on the other side of the ledger. And if we can use merchant lines, we want to do it.

Mr. DAVIS. As I understand, it is already the definite, fixed, policy of the Navy Department to utilize privately owned ships wherever practicable and not to operate naval transports except where it is reasonably necessary?

Capt. MARSHALL. Except where it becomes a necessity.

Mr. DAVIS. Now I want to ask you if you consider it feasible and practicable to dispose of the *Newport News* and *Pensacola*, or any other transports in that service, and to depend entirely upon private shippers on those routes?

Capt. MARSHALL. We could not depend entirely on them. We could perhaps supply the needs of transporting the military equipment and explosives on one vessel if we merely have the present service.

Mr. EDMONDS. Suppose I come along and make a contract with you to take care of your explosives and everything else, provided you supply it in a certain way, you would give full cargoes for cargo vessels—you could do that?

Capt. MARSHALL. I could do that, sir, with the exception of Guam.

Mr. EDMONDS. You could even do that, because I would still carry your munitions for you.

Capt. MARSHALL. Yes; except that is a closed port; they do not allow the vessels in there. That is for military reasons.

Mr. EDMONDS. That would have to be changed. There is no reason why it should be a closed port. I have been there personally and I can not see any reason for it whatever.

Mr. HARDY. Do you think it would be in anywise possible for him to carry your munitions at anything like \$15 a ton?

Capt. MARSHALL. I do not know, sir.

Mr. CHINDBLOM. What insurance do you think they would have to carry on a ship that carried munitions and explosives?

Mr. HARDY. As I understand, \$15 is the ordinary charge per ton.

Mr. CHINDBLOM. For ordinary safe freight.

Mr. HARDY. Now what would be the charge on your munitions you have been carrying?

Lieut. Commander MOORE. I do not know, sir.

Mr. DAVIS. If you were to depend on one noncompeting line and the Government had gotten out of it, have you any assurance as to what rates would be agreed on for any sort of freight?

Mr. EDMONDS. Under the bill, the President is allowed to make a contract for 10 years, and the rate for carrying that freight would have to be satisfactory before he closed the contract.

Mr. DAVIS. But it takes two sides to make a contract.

Mr. EDMONDS. That is true, but he would not have to close if he did not want to; if it was not advantageous to close it, he would not have to do it.

Mr. BANKHEAD. Mr. Edmonds, has not the President that authority now, under the existing law—practically to do everything you ask for under the first section of your bill?

Mr. EDMONDS. No.

Mr. BANKHEAD. Why not?

Mr. EDMONDS. Because we have established this transport service.

Mr. BANKHEAD. I know; but they are subject to regulation and to the President's orders.

Mr. EDMONDS. I presume the President could contract if he wanted to, but he can not make a 10-year contract; he could only contract covering two years' appropriations.

Mr. BANKHEAD. Under existing law, could not the Secretary of the Navy contract for it?

Mr. EDMONDS. Not for 10 years; no.

Mr. BANKHEAD. He can not contract beyond one years' appropriation.

Mr. JEFFERIS. Are there any merchant boats between the United States and the Philippines direct?

Capt. MARSHALL. No.

Mr. EDMONDS. All the lines running to the Philippines cover Japanese and Chinese points. Manila is their last point of service. I am not quite sure whether it is the first point on any of them, but I believe I have seen recently where some of them make Manila as the first point and then go to Hongkong and then go south to East India points. I believe that is the new service that is running out of San Francisco now. Most of them, all the Pacific mail lines, run across to Yokohama, and then go to Kobe, Shanghai, and then down to Manila, and then reverse that coming back; but I think there is one new service running down directly to Manila and then from there down to East India points.

Mr. CHINDBLOM. Do you mean there is a Pacific service that does not stop at Japan at all?

Mr. EDMONDS. I think there is one that does not, although I am not sure of that. I think I can find it in here.

Mr. CHINDBLOM. While you are looking for that I want to ask the captain in a case where you send your personnel and freight on a

battleship, do you charge that up on the books as a matter of the cost of transportation?

Capt. MARSHALL. No, indeed.

Mr. CHINDBLOM. There is no record kept of that?

Capt. MARSHALL. There is no record kept of that.

Mr. CHINDBLOM. So that such business as that would have to be added to what you have already indicated, if it were to be transported by private lines?

Capt. MARSHALL. Yes, sir. But, you see, that would be an expense to the Government—a needless expense, I should say. If the battleship was going and could accommodate the stores and the personnel, of course it would be a perfectly natural thing to do to put it on board; it would be no additional expense to the Government.

Mr. CHINDBLOM. Still, to that extent, that Navy boat would be competing with the private line?

Mr. EDMONDS. I think the President would use his judgment in making a contract, to carry certain kinds of stores, and so on. Your battleships going to Guam are very few.

Mr. CHINDBLOM. However, you would never know just when a battleship was going to be able to take a large shipment.

Mr. EDMONDS. Common sense would say if a battleship was able to carry 500 tons (and that is about all they can carry), it would be an advantage to use the battleships.

Capt. MARSHALL. They frequently carry shipments of munitions and personnel, but not very much of other stores.

Mr. EDMONDS. We investigated your two fast cruisers out there in 1913 and we found, when we wanted to use them for carrying mail down to South America that they could only carry 500 tons. They were the *St. Louis* and *St. Paul*, were they not, those two passenger steamers? Five hundred tons is what the Navy Department testified was all they could carry. We were going to use them to carry the mail when the war opened in 1914, and that was the best they could do. I have that statement upstairs.

In regard to the line you spoke of, the Pacific Mail Steamship Co., they are running a line from San Francisco to Honolulu, Manila, Saigon, Singapore, Colombo, and Calcutta. They do not go to Japan at all, or to China.

Mr. CHINDBLOM. Do they state how often that line runs?

Mr. EDMONDS. The *Wolverine State* sails once a month—she sails June 11 and the *Granite State* sails July 14, to Honolulu, Manila, Saigon, Singapore, Colombo, and Calcutta.

Mr. CHINDBLOM. That does not seem to take in any Japanese port?

Mr. EDMONDS. It does not touch Japan or China, either; it runs direct to Manila and apparently follows the same route as the United States transports.

Capt. MARSHALL. Commander Klein here is from the Bureau of Navigation, and he has charge of all the authorizations for carrying the passengers, both enlisted and civilian that should happen to be carried, and I think he can give you some information in regard to what personnel has been carried on the Army transports on the service between San Francisco and Manila.

Mr. EDMONDS. On the Army transports?

Capt. MARSHALL. Yes, sir; naval personnel.

Mr. EDMONDS. I do not think that enters into it, because in getting our report from the Army undoubtedly they will include that in it. We are asking them to give us a report of what they carry and what kind of work they have done, and it would undoubtedly make a duplication of the report.

Capt. MARSHALL. Then you will have that from that source?

Mr. EDMONDS. Yes; from the Army. You just closed a contract for 40,000 tons of coal to Panama, did you not?

Capt. MARSHALL. Yes.

Mr. EDMONDS. You are going to carry that in naval transports, aren't you?

Lieut. Commander MOORE. We move about 700,000 tons of coal a year and practically all of it is carried by merchant vessels.

Mr. EDMONDS. Why don't you carry it in your colliers—because you only have enough colliers to follow the fleets?

Lieut. Commander MOORE. The colliers follow the fleets, but occasionally the colliers with the Pacific Fleet come to an Atlantic port to get coal and take it back to the fleet; and when they make trips of that sort, we utilize any space available for the transportation of freight from the Atlantic to the Pacific. But that is for service to vessels in the fleet and not cargo service.

Mr. EDMONDS. You do use for the carriage, then, of coal for your storage points mostly the merchant vessels?

Lieut. Commander MOORE. Practically everything is carried in merchant vessels in the way of coal.

Mr. BRIGGS. I would like to ask you a question: To what extent is the cargo that you carry destined to Guam, a closed port? What percentage of this cargo do you carry to Guam?

Capt. MARSHALL. It is not a very large amount, but I should say it is around 500 tons each trip.

Mr. BRIGGS. And you make three trips a year?

Capt. MARSHALL. That would be six trips a year for the two vessels.

Mr. BRIGGS. And the rest of the cargo you carry goes on—

Capt. MARSHALL. To Cavite and the Philippines.

Mr. EDMONDS. In your transport service down to Haiti, we will say, is that a very active service now?

Capt. MARSHALL. It is. We have, of course, the marines all over the island. They are practically in control there, under this Government. I do not know whether you understand the situation there, or not, but they are practically controlling the whole island, their ports of call and transportation.

Mr. EDMONDS. From the reports I get from the Haitian people, I think that is true.

Capt. MARSHALL. Yes.

Mr. HARDY. Have you been allowed to carry any private cargo on these two vessels we have been talking mostly about?

Capt. MARSHALL. No, sir.

Mr. HARDY. You have not carried any private cargo?

Capt. MARSHALL. No, sir; except from Guam, as I indicated a while ago.

Mr. HARDY. If you were allowed to carry it, could you carry considerable private cargo?

Capt. MARSHALL. We would on the return journey only.

Mr. HARDY. You would get considerable private cargo if you were permitted to carry it, on the return journey?

Capt. MARSHALL. We would endeavor to, if it was the policy to do it; but we decline it.

Mr. HARDY. So that that element in the operations, by your rule, is forbidden to be utilized?

Capt. MARSHALL. Yes, sir.

Mr. HARDY. There is shipping of private cargoes from those sections, is there not?

Capt. MARSHALL. Oh, yes.

Mr. HARDY. At the places you visit?

Capt. MARSHALL. Yes.

Mr. CHINDBLOM. Your crews on these two ships in the Pacific transport service are Navy personnel, are they not?

Capt. MARSHALL. Navy personnel entirely, and the cost of operation included the pay of that personnel.

Mr. HARDY. Have you any knowledge how much private cargo you did carry from Guam?

Lieut. Commander MOORE. It is about 150 tons a trip, sir. Some of it goes to Manila, from Guam, and some goes to the United States.

Mr. HARDY. Is that 150 tons per trip?

Lieut. Commander MOORE. Yes, sir.

Mr. HARDY. That would be for six trips about 900 tons?

Lieut. Commander MOORE. Yes, sir.

Mr. HARDY. Is that included in this thirty-odd thousand tons you speak of as having been carried?

Capt. MARSHALL. That is included.

Mr. EDMONDS. You can furnish us with a statement of your complete operations; that is, your transport service in all directions, what you have carried and what you have done during the past year?

Capt. MARSHALL. Yes, sir.

Mr. EDMONDS. That is as far as Haiti is concerned, as far as Guantanamo, Pacific coast cargoes, Panama cargoes, and whatever they may be, and the number of ships you have utilized in that service?

Capt. MARSHALL. I can give you that, sir.

Mr. EDMONDS. And what these ships have done in that service during the year and what the cost of those ships has been?

Capt. MARSHALL. I can, sir.

Mr. BRIGGS. Have you the number of passengers transported in that statement, in the way of enlisted men?

Capt. MARSHALL. Yes, sir; we have that here.

Mr. BRIGGS. Does that show whether they were marines or enlisted men of the Navy?

Capt. MARSHALL. No. In some cases the transportation of officers' families and the families of the enlisted personnel, to the West Indies in particular. Now we have had in operation to the West Indies at various times during the year five vessels, the *Kittery*, *Gulfport*, *Henderson*, *Hancock*, and *Beaufort*.

The *Kittery* carried during the year 4,900 tons; the *Gulfport*, 5,000; the *Henderson*, 4,500; the *Hancock*, 1,600; and the *Beaufort*, 11,500. The reason for the *Hancock* carrying only 1,600 tons is because she only made two trips. The *Beaufort*, which carried the largest tonnage, is only a cargo vessel, carrying no passengers at all; the other four did carry passengers—the *Kittery*, 194; *Gulfport*, 144; *Henderson*, 512; *Hancock*, 167. The enlisted personnel carried was 728 for the *Kittery*; *Gulfport*, 502; *Henderson*, 3,755; and *Hancock*, 1,251.

The cost of operation during the year was as follows: For the *Kittery*, \$263,523; *Gulfport*, \$143,935; *Henderson*, \$644,505; *Hancock*, \$236,944; and for the *Beaufort*, \$76,301.

Mr. BRIGGS. Where do these vessels touch in the West Indies; at any special places?

Capt. MARSHALL. This transport service to the West Indies is mainly for the supplying of military stores to the naval stations Guantanamo, Cuba, and St. Thomas, Virgin Islands, and, to the marine forces in Haiti and San Domingo. The ports touched are Guantanamo, Cuba; Port au Prince, Haiti; Cape Haitien, Haiti; Monticristi, Haiti; Puerta Plata, San Domingo; Sanchez, San Domingo; San Domingo City, San Domingo; San Pedro de Macoris, San Domingo; and St. Thomas, Virgin Islands.

The service down there requires some small vessels in order that they can enter the various ports; that is, get in where they can discharge and take on cargo.

Mr. BRIGGS. Do you have much movement of troops or marines between these points and the United States now, or have you had for some time past?

Capt. MARSHALL. We have had for some time and it is continuous.

Mr. BRIGGS. To what extent is that? Is it reflected there by the data which you have?

Capt. MARSHALL. That is reflected here by the enlisted personnel. We have transported a total of 6,236 enlisted personnel and 917 of the first-class passengers.

Mr. BRIGGS. There is considerable change going on constantly in the personnel down in Haiti, for instance, is there not?

Capt. MARSHALL. It is going on constantly, and we have to relieve them after a certain period of service. I believe the period of service established down there is 15 months. It is very hard and difficult service for the troops.

Mr. BRIGGS. Do you utilize these transports here for picking up men from the ships down there making survey work and work of that character or not?

Capt. MARSHALL. We do.

Mr. BRIGGS. My impression is not long ago a service man in the Navy, who had one of his family ill, was having some difficulty in getting back, because, I understood, the transport service was such there would probably be no transport service for some time, and that was the only available way of his getting back.

Commander KLEIN. There have been practically three a month coming up from there right along.

Mr. BRIGGS. Where this service ship was operating it was apparently along the Central American coast.

Capt. MARSHALL. That is down in Panama; that is not the West Indies.

Mr. BRIGGS. I understand; you were only discussing the West Indies service?

Capt. MARSHALL. These vessels do not go to Panama.

Mr. DAVIS. With respect to the ships and the forces in the Tropics is it not a fact it very frequently happens if an American is permitted to remain there for longer than 15 months his mind becomes affected?

Capt. MARSHALL. Not only his mind becomes affected, but his health deteriorates.

Mr. DAVIS. And of course the morale?

Capt. MARSHALL. Yes; the morale is the principal reason for making frequent changes.

Mr. DAVIS. The reason I ask, I know of one particular case, a constituent of mine, who was permitted to remain in the Tropics for about 12 or 15 months and his mind is practically gone, and they gave that as the reason—his remaining there in the Tropics too long.

Capt. MARSHALL. The Marine Corps are constantly in consultation with us in regard to getting their people relieved on time and we try to do it as far as possible. It is a constant effort on our part to relieve them promptly when their tour of service is through.

Mr. EDMONDS. Let us take the operation of the *Henderson* there last year and see what she did. That seems to be a big troopship. What did she do last year?

Capt. MARSHALL. She carried 3,755 enlisted personnel; 512 first class.

Mr. EDMONDS. How much freight?

Capt. MARSHALL. Four thousand five hundred tons.

Mr. EDMONDS. That is her entire year's work?

Capt. MARSHALL. Yes, sir.

Mr. EDMONDS. On a 6-day trip?

Capt. MARSHALL. She was not on that service all that time; she was on a special service during that period. For your information she has installed on her a gyroscopic stabilizer—that is a device to prevent the ship from rolling—put on as an experimental apparatus, and she was engaged for several months on that work and carrying out the tests of that apparatus, which kept her off this service.

Mr. EDMONDS. Then, of course, she did not cost you the \$600,000 to operate?

Capt. MARSHALL. That is the total cost for the year.

Mr. EDMONDS. Including the experiment?

Capt. MARSHALL. Yes, sir.

Mr. EDMONDS. How about one of those ships that worked the whole year, one of those carrying passengers—how did that pan out?

Capt. MARSHALL. For instance, the *Gulfport*, which was constantly on that service, cost \$143,935. She carried 144 first-class passengers, 502 enlisted men, and 5,000 tons of cargo.

Mr. EDMONDS. That was her entire work for the year?

Capt. MARSHALL. Yes, sir.

Mr. EDMONDS. How big a ship is she?

Capt. MARSHALL. She only has a cargo space of 750 tons—about 2,500 tons dead weight.

Mr. EDMONDS. And she made about six round trips during the year?

Lieut. Commander MOORE. She made about seven round trips.

Mr. HARDY. What would those passengers have cost—the 144 and 502; what would have been the reasonable ticket for them?

Lieut. Commander MOORE. First-class passengers probably would cost \$50.

Mr. HARDY. \$50 apiece for those?

Lieut. Commander MOORE. Yes, sir; and second class, \$35.

Mr. CHINDBLOM. Between what points?

Lieut. Commander MOORE. Between the United States and any one of the points. That is the mean rate.

Mr. JEFFERIES. Are there any other privately operated ships between those points?

Lieut. Commander MOORE. Yes, sir; the Clyde Line and the Mallory Line run ships there, and we have attempted to use those ships for our service and they have been unable to care for the service.

Capt. MARSHALL. They have been unable to accommodate the traffic.

Mr. EDMONDS. Still, if you made a contract with them, they would do it?

Lieut. Commander MOORE. We tried to get them interested in it.

Mr. EDMONDS. The trouble is you can only make a year's contract and not a term contract. For a man to go and establish a line and put ships on it, he wants a term contract.

Lieut. Commander MOORE. We can not induce them to carry our passengers.

Mr. EDMONDS. Take that *Gulfport*, for the service you say she performed, carrying 646 passengers and 5,000 tons of freight, it cost you \$144,000 to do it.

Mr. JEFFERIES. Is it because of the danger that the private lines won't do it?

Lieut. Commander MOORE. No, sir; they have their own cargo business down there, the transportation of sugar and the transportation of civilian passengers interested in business there, and they run their service for those interests, and to accommodate the Navy interests in addition it would mean putting on additional vessels which they do not have. Another point is, there is no space to carry cargo to the points we want, or between the ports in the West Indies. You see, our vessels carry passengers from one port to another in the West Indies, can be diverted from one port to another for military purposes, and the merchant lines will not subject themselves to the expense necessary to carry on the sort of business that is absolutely required for military reasons.

Mr. DAVIS. In other words, to many of the ports you make, the Navy transports purely naval or military stores and they are not commercially profitable ports?

Lieut. Commander MOORE. The ports we touch are touched by the merchant vessels, but the cargoes handled are commercial cargoes and they can not be subjected to the delays that we are forced to have at those ports.

Mr. EDMONDS. Wouldn't there be quite a change if you were contracting for this service, and there would not be quite so much of this travel around between the different places? Isn't there a good deal of traveling around of the personnel to these places that is not absolutely necessary?

Capt. MARSHALL. I would not say that, sir. There is naturally some. For instance, if there is space on the ship available, and the ship is going to make the voyage anyhow, frequently we let people go on leave or something of that kind. They are people in the service, and all they pay for, then, is the \$1.75 a day or whatever it amounts to for their food.

Mr. EDMONDS. It would not be like the French teacher at West Point, who got detailed to go to Paris all last summer because he wanted to study French, and who went on a transport over and back and got paid for all the time he was gone?

Commander KLEIN. He did not do that this year.

Mr. CHINDBLOM. I would not say that is altogether censurable.

Mr. EDMONDS. I am not censuring it; I only say that naturally travel of that kind would not happen.

Mr. DAVIS. When a teacher or instructor in a school gets to the point where he thinks he knows it all, he ought to be fired out and another man put in his place.

Mr. EDMONDS. I am not finding fault; I am only saying a considerable amount of this travel would not happen if this work was done by contract instead of having vacant space for somebody to utilize.

Mr. DAVIS. As Mr. Chindblom says, I do not think the instance you gave is censurable. It is the same way with a doctor or a lawyer; he has to study harder after he gets into the practice of his profession than he did in school, if he wants to keep up with his profession.

Mr. CHINDBLOM. I rather think the best place to study French would probably be Paris.

Mr. EDMONDS. Not pure French; you can not study pure English in America.

Lieut. Commander MOORE. The only thing about the transportation of passengers, sir, is we are required by law to move the families of officers and enlisted men on Government transports. We have no funds that can be spent properly for that transportation of dependents unless there is no Government transportation available; and we have to use transports for the movement of the families. When a man goes to the West Indies for a 15 months' tour of service, he takes his family with him and they are carried on these transports.

Mr. HARDY. Have you given a full list of all the transport vessels in the service of the Navy?

Capt. MARSHALL. I have not as yet, sir. I understood you wanted me to make that out and send it in. I can tell you here what others we have, if you so desire.

Mr. HARDY. In the aggregate, about how many vessels have you?

Capt. MARSHALL. Since I made my statement a moment ago, in regard to the *Hancock*, which included the cost of operation for the year, she has been placed out of this service as having passed her period of usefulness.

Mr. HARDY. She is no longer employed in the service?

Capt. MARSHALL. She is no longer employed in the service. That leaves eight vessels that we are now operating and two of those are to be placed out of commission in the immediate future.

Mr. HARDY. That will leave you six?

Capt. MARSHALL. That will leave six.

Mr. HARDY. As the transport service of the Navy?

Capt. MARSHALL. In the naval transport service.

Mr. JEFFERIS. That includes the Marine Corps, also?

Capt. MARSHALL. That includes all the Marine transportation.

Mr. HARDY. As I understand you, there is some of this service for which you could not get private service and would not expect to. About how many would you have to keep, supposing you got private service for all that they could handle?

Capt. MARSHALL. I should say, even with the best service, from the point of view of our needs, that we could obtain from the merchant marine, we would have to keep at least three of that six.

Mr. HARDY. You would have need for that many for emergency service and military service that could not be done by private vessels?

Capt. MARSHALL. Yes, sir.

Mr. HARDY. So that the most that could be disposed of—

Capt. MARSHALL. Would be half of what we have now, taking into consideration those others I told you we would soon place out of service.

Mr. HARDY. If we paid any regard to the needs of the Navy?

Capt. MARSHALL. Yes, sir.

Mr. DAVIS. Now, Captain, if you were compelled to operate half of your vessels in order to carry the cargoes that private interests would not carry and then have to make contracts and pay private operators for that which they could carry, do you think there would be any saving to the Government?

Mr. CHINDBLOM. Before you answer that general question, would it be possible for you to make up a statement or estimate showing concretely what the answer would be to that question?

Capt. MARSHALL. I doubt if I could give you a concrete statement; I can only give you an opinion. From a general survey of the situation I should think that we would probably come out about even on it.

Mr. DAVIS. Now, if you are compelled to operate a vessel for certain shipments, it does not cost but very little, if any, more to fill up the space in that vessel with other Government cargo which you perhaps might get carried by a private boat, would it—if you were compelled to operate it anyhow for certain cargoes?

Capt. MARSHALL. Of course, it costs practically nothing; simply the handling of the cargo, that is all.

Mr. DAVIS. To carry enough to complete your cargo?

Capt. MARSHALL. Yes. In most of these ports we go to the cargo is not handled by stevedores; it is handled by the enlisted personnel, and as that personnel is already paid and it would be an overhead charge anyhow, you see that cost is eliminated. And in a case, of course, where you handle cargoes by the merchant marine, it is always added cost, which would be charged in the transportation rate by merchant vessels.

Mr. EDMONDS. I wish you gentlemen would get my view of this thing a little bit. I am not looking for economy. I figure we can do this, if necessary, just as cheap as either department can do it, but what I am trying to do in this case is not to stop the running of the transports, but if it should be found any work of the transports of either the Army or Navy could be utilized to build up a steamship line (we have done a lot of talking about building up a merchant marine), it is going to stand in lieu of a subsidy to that line; it is going to stand in lieu of paying them for getting a service which you have not got, where half the boat or one-quarter of the boat would be used for the Navy service and the other three-quarters would be used in building up a merchant marine—it would be used in getting trade. The Government business would be in the nature of an established business for this line when it starts, so that it would know it had so much of an income to start with, and it would be encouraged to go on and try to get other freight and to build up a steamship service worth while.

That is what other nations have done with their transport service, and there is no reason why we should not. I have no idea of not continuing the transport service as long as it is necessary; but if the

President should find he can contract with a steamship line for a certain portion of this service, and build up a steamship line to carry other freight, to carry our merchandise out and to bring other merchandise in, that is what I am trying to get. I am trying to give him authority to make a 10-year contract with any line that comes along and says "I will offer to do that service and also agree that I will build up a steamship line. And then you not only have your transport service done, but you have lines built up to carry far more troops in case of war than you have at the present day. Now you are limited to six or eight steamers, and under my proposed plan you would have six or eight steamers on this service of double or treble the size, and be able to carry double or treble the amount of freight during a war. And I think every man in the Army or Navy who looks at it in that way would be perfectly willing to utilize the transport service to build up these lines and you could make a contract that those boats are to be turned over to the Government in time of war and to be utilized for transport service. England has done it; Germany did it, and every other nation has done it in that way, and it looks foolish for us to limit our operations as we are doing to-day. Of course, the President can go out to-day and make a contract for two years and fix the appropriation up so he can pay for it; but a man won't originate a line on a 2-year contract, and if you give the President the privilege of doing it for 10 years, why, at the end of the 10 years you will have a fine line running to Manila and doing this work and other work; you will have a fine line, possibly, running down to some other point; you might have them running to Europe, or wherever there would be transport service. I am not trying to kill off the transport service, but I am trying to build up as much as I can a merchant marine that would be worth 100 per cent more.

Capt. MARSHALL. It would be most difficult to make a contract covering the Navy's needs for 10 years. We do not expect, for instance, in the island of Haiti, to maintain our forces there for any such time as 10 years. It may be we will, but we could not count on it now and we could not sign a contract for 10 years for that service.

Mr. EDMONDS. You could not do it with an indefinite proposition, but with the Virgin Islands and perhaps further on you could, and your line would pass from one point to another.

Capt. MARSHALL. Yes. Another point, on the question of the transportation across the Pacific 10 years from now. We do not know what our needs will be, and I think if we could get that line you speak of established across there that it might grow to great proportions in that time and that our needs out there may become very great, and that would be a great advantage to us; but the freight from the few vessels we are operating here now would hardly be a drop in the bucket.

Mr. EDMONDS. No; but the combined service of the Army and Navy together would amount to a good basis for the establishment across the Pacific of a steamship line, and this service would naturally double the number of steamers because they would perform the service for private owners also. Then you would have twice the capacity in the steamers in that service, and if you ever had a war you could call on those vessels; you could make this contract with them on the basis that in case of war they are to turn the steamers over to you for operation by the Navy.

Mr. HARDY. And therefore pay an enormous price for that; and, furthermore, if you made a contract on the present values and some unforeseen event increased the cost, these companies would be back at the Government asking for an increased payment; but if anything happened to decrease the cost, you would never hear from them.

Mr. DAVIS. Your transports are not only operated by American citizens, but they are operated by the enlisted personnel in the Navy?

Capt. MARSHALL. Yes, sir.

Mr. DAVIS. Now, if we should unfortunately become involved in another war, from a naval standpoint would it not be desirable to ship munitions and explosives and other naval supplies in vessels manned by Americans, and particularly enlisted personnel, rather than in ships manned by Chinamen and Dagoes and what not?

Capt. MARSHALL. It would be much better.

Mr. DAVIS. And don't you think if we got into war that what little transport service you have would be a pretty valuable nucleus from a naval standpoint?

Capt. MARSHALL. That is a large point and a very important point, which you make, that the naval transport service should have a nucleus to maintain the organization, and have the operation of that nucleus supply the immediate needs and be capable of expansion in time of war. And in any war that we have in the future it will be just the same as in this last war; all the shipping will be controlled by the Navy, undoubtedly, and it would come under the naval transport service. We must, therefore, we believe, maintain this nucleus. I think that is a very important point that you make.

Mr. DAVIS. Is it not a fact this naval transport service is in effect a portion of the Navy?

Capt. MARSHALL. It is, indeed.

Mr. DAVIS. And we never have operated our Navy at any very great profit anyway, have we, and do not undertake to do so?

Capt. MARSHALL. No, sir.

Mr. EDMONDS. Did not you contend the other day that 85 per cent of our seamen in the merchant marine were American citizens?

Mr. DAVIS. No, I think not.

Mr. EDMONDS. Somebody did around here.

Mr. DAVIS. I did not. But I know that quite a number of them undoubtedly are foreigners, and particularly on the Pacific.

Mr. HARDY. I think there was a statement given by some of the representatives of the seamen's union that to-day about 49 per cent of our seamen on the American vessels were American citizens.

Mr. BRIGGS. Mr. Edmonds, you submitted some figures yourself, I think, on that subject.

Mr. EDMONDS. They were gotten up by the commissioners of navigation for the last six months of last year. The percentages were 60 per cent foreigners; 7 per cent naturalized, and 33 per cent Americans in the overseas trade. And taking it for the Gulf business—

Mr. BRIGGS. There was some difference in the percentages in the figures that the representatives of the union submitted on it.

Mr. EDMONDS. Taking it for the South American trade, the overseas trade, and the coastwise trade, 60 per cent are foreigners, 33 per cent Americans, and 7 per cent naturalized Americans.

Mr. DAVIS. Another thing, if the Navy should be authorized to go along and make a 10-year contract between San Francisco and the Philippines, as well as other Pacific points, and in a few years it should happen, which is entirely possible, that the Philippines are given their independence and both the Navy and the Army get out of the Philippines, then the Government would have the remainder of that contract on its hands, without any use for it, would it not?

Capt. MARSHALL. That is very true. We do not know what the needs will be 10 years from now.

Mr. DAVIS. It may be we will need more service and we might need less?

Capt. MARSHALL. And we might need less; and certainly we expect to need less within a few years in the West Indies.

Mr. EDMONDS. You would probably need more service in the Pacific, and if you had a line running over there you would have the service established.

Capt. MARSHALL. The Navy requires control of the few transports that it operates to meet the special needs in time of peace as in time of war, but we do not expect to have very many operating in time of peace—merely to have that important nucleus from which to expand if any trouble came.

Mr. EDMONDS. I am not trying to hurt the transport service; I realize you have got to have these boats for experimental purposes or emergency purposes. What I am trying to do is to take as much of the service as possibly can be spared and make it available for commercial operation. I do not want to take anything where there is any danger in it at all, but I want to take merchandise or commercial stuff that can be carried, and the passengers that can be carried, and put that part of the service where it can build up a merchant marine. It is things like that that have built up the merchant marine of other nations.

Capt. MARSHALL. Then I understand if we have to operate some of our vessels, which we believe we do have to do, that we should utilize the full capacity of those vessels in transportation work, whether they should take anything away from the merchant marine or not?

Mr. EDMONDS. Surely.

Capt. MARSHALL. As a matter of fact, that is the common-sense way of looking at it.

Mr. EDMONDS. In other words, you would simply say, "Here, we have got a certain amount of stuff we are carrying across the Pacific. By contracting for a portion of that we can do away with so many vessels; we can just tie them up to the wharf if we can do nothing else with them and keep them there for emergency purposes." Now the balance of that you would have to take care of yourselves, and you would still keep a few in operation, and naturally, for the few that you keep in operation, you would carry as much material as you could in this service.

Capt. MARSHALL. That is the common-sense view, anyway.

Mr. EDMONDS. Surely; that is the common-sense view of it.

Capt. MARSHALL. You must understand, also, as I said before, that we try now to get merchant transportation in every way that we can; but, for instance, in this service to the West Indies, they simply could not or would not serve us for some reason or other. We do

not always know just what their reasons are, but we could not obtain the required transportation.

Mr. EDMONDS. Your attitude and the attitude of the Army are two entirely different things. You have endeavored to do your work outside if you could?

Capt. MARSHALL. Yes, sir.

Mr. EDMONDS. In the Army they are endeavoring to build up an enormous piece of machinery as near as I can see, and to enlarge their service. As a matter of fact, they came before the Military Affairs Committee and asked for the privilege of handling freight and passengers at any place they run to. In their Panama Steamship Line the same thing occurred; they are enlarging the service. The original purpose of the Panama Steamship Line was to run between here and Panama, and to-day they are putting on more steamers and enlarging the service by running down, I believe, the west coast of South America. They run to Cartagena and Colombia, and they are stopping at Haiti, Jamaica, and the other points in the West Indies. The result is if you take enough freight in this service from the lines established to-day, the rest of them will drop out of the business. And eventually it must either become an operation of the Government down there or an operation of the private companies. The two can not live alongside of each other.

Capt. MARSHALL. In our opinion there should not be any other transport service; the Navy should operate all transports. It did it in the late war, and undoubtedly will in any future war.

Mr. DAVIS. You mean not only for the Navy, but to meet the Army's needs?

Capt. MARSHALL. To meet the Army's needs. The Navy would control everything afloat in the next war, as it did in the last.

Mr. CHINDBLOM. Of course, that could be accomplished by a consolidation of the Army and Navy Departments, which is in contemplation in the minds of some people quite influential at this time.

Mr. HARDY. Could it not also be accomplished, Mr. Chindblom, by reasonable approachments between them?

Mr. CHINDBLOM. It could. A very interesting question, and I think a very important question in this connection, is whether a 10-year contract would be really adequate inducement to these private merchant marine lines to enlarge their fleets. I have in mind, for instance, the experience which banks have when they temporarily enlarge their facilities and their deposits by getting Government funds. The moment those funds are withdrawn, in many cases they find themselves in very serious difficulties. It is a sort of artificial stimulation which may have temporary advantages and benefits, but the question is whether it would be a permanent relief and permanent benefit.

Mr. DAVIS. And at the end of the 10 years they would have to come in competition with any other competitors for the service.

Mr. CHINDBLOM. That is a part of the consideration I have in mind.

Mr. EDMONDS. But in the 10 years they have built up that freight service; they have gotten their start with this, and at the end of the 10 years this would be a small end of their business if they are successful. The result is they would have an established line, doing an established commercial business to which the Government business

would only be secondary, and then if they lost the Government business they could still continue.

Mr. DAVIS. If the business is there, Mr. Edmonds, why not take some of these 14,000 vessels the Government has for sale and start to operate them?

Mr. EDMONDS. That is exactly what I am trying to do; I am trying to get some use for those vessels we have lying around.

Mr. HARDY. Along the line you were talking about just now, Mr. Chindblom, how much importance do you attach to this? These two ships carried about 30,000 tons a year, half of which they say they are bound to carry because it is military; so that the amount they would be able to give to a private line, 15,000 tons a year, it seems to me would not be very much inducement to capital investment.

Mr. CHINDBLOM. I would like to have the private merchant marine companies opinion on that.

Mr. JEFFERIS. In the Philippines, for instance, what is the fact as to whether or not there is any considerable commerce to be shipped?

Capt. MARSHALL. I am not in a position to state as to what there is to be shipped there. Frequently we get a request from naval authorities asking permission to ship a cargo from there, which we have invariably turned down, the principal reason being that that cargo is available and the ship needs ballast.

Mr. HARDY. You sometimes ship from the Philippines under those circumstances?

Capt. MARSHALL. No, sir. I say we get requests to load a cargo there, it being available; but they want to load it for ballast primarily.

Mr. HARDY. And without any pay?

Capt. MARSHALL. On the return voyage.

Mr. HARDY. You could demand pay and get pay, too, if you were willing to do so, could you not?

Capt. MARSHALL. Undoubtedly, and we would charge them the regular rate if we were permitted to do it; but we are not permitted to take it.

Mr. DAVIS. How many private companies are now operating between San Francisco and the Philippines?

Capt. MARSHALL. I am not in a position to state. I think there was a statement made by Mr. Edmonds a moment ago on that.

Mr. EDMONDS. There are two American lines operating, as far as I know, between the Philippines and San Francisco.

Mr. DAVIS. Then there is that China Steamship Co., too?

Mr. EDMONDS. Yes; and that is 60 per cent American. I do not know whether they go to the Philippines or not; I am not sure. I want to call your attention to this: We are operating to-day all of these new passenger vessels we have built and some are coming out every month now—in the Pacific more than in the Atlantic. Those two lines, the Pacific Mail and the Pacific Steamship Co., one operating out of Seattle and the other out of San Francisco, both go to the Philippines. These steamers are operated under an operating contract with the Shipping Board, and this business that the transport service is doing is directly in competition, if you want to put it that way, with these allocated boats owned by the Shipping Board that cost you \$7,000,000.

Mr. DAVIS. If you made a contract with one of those steamship companies to furnish the Government with the service, would not that be disadvantageous and interfere with the other operating company, between the same points?

Mr. EDMONDS. That is a thing you have to think about, too, of course.

Mr. DAVIS. Or if you give it to still a new company, wouldn't that be detrimental to both?

Mr. EDMONDS. I am just calling attention to the fact you would have bidders between the two. But here is the situation: Those men are paid so much for the operation of those steamers. The Shipping Board is paying for the advertisements; you are advertising those lines for the people to use, because the operator is only paid so much for operating those boats, and if those boats operate at a loss, you have to stand it. Now, here you are running boats, operated by the Government—you are running the Pacific Mail Steamship Co. and the Pacific Steamship Co., and you are running the Army Transport Service and the Navy Transport Service, and you have those and the other lines competing with each other, and they all belong to the Government. Suppose the *Wolverine State* goes, say, to Manila to-morrow with half a cargo, and the Army boat goes out from San Francisco with half a cargo, and the Navy boat goes out with half a cargo. There you have three boats going out with half cargoes at an enormous expense and loss to themselves and you have to stand it.

Mr. HARDY. Could we in any way get competition without encouraging monopolistic charges?

Mr. EDMONDS. My dear sir, you set the rates yourself on those boats.

Mr. HARDY. On the ones you contract with?

Mr. EDMONDS. Surely; the Shipping Board has to approve all those rates.

Mr. HARDY. But you are talking about contracting with these vessels for 10 years to do Government service.

Mr. EDMONDS. The money you pay for the operation of those steamers will come into the Shipping Board as long as these ships are owned by the Shipping Board.

Mr. DAVIS. Those vessels that are being operated by the Shipping Board sooner or later will be sold.

Mr. EDMONDS. We hope so.

Mr. DAVIS. And how could one of those companies make a 10-year contract when they only have vessels leased until such time as the Government sells them?

Mr. EDMONDS. I will explain one reason; because they have private boats of their own and they can carry out the contract, anyhow. They have two Government allocated boats and two of their own boats; they are running the Government boats over there now because they are better than what they own.

Lieut. Commander MOORE. I would like to mention, sir, that in case all these cargoes and passengers were handled by commercial lines it would mean increasing the Navy appropriation about a million dollars to pay for it.

Mr. EDMONDS. And a reduction—

Lieut. Commander MOORE. And a possible reduction in the cost of operation of the ships.

Mr. JEFFERIS. Of how much?

Lieut. Commander MOORE. Of approximately a million dollars. There would probably be no gain to the Government.

Capt. MARSHALL. It is just shifting the appropriation—a question of bookkeeping.

Mr. DAVIS. That is, if you take the ships off entirely; but if you were still compelled to operate them as to certain cargoes and for certain characters of shipments, it would not reduce the cost proportionately, would it?

Lieut. Commander MOORE. Just about half.

Mr. HARDY. I wish you would be particular and put in your testimony just how much it would increase the appropriations and how much it would decrease the cost of operation.

Lieut. Commander MOORE. Yes, sir.

Mr. HARDY. Considering how much you would have to retain of this service under the operation of the Navy, anyhow. I want something concrete about that.

Capt. MARSHALL. I will put that in the statement I submit.

The CHAIRMAN. Following is the statement submitted by Capt. Marshall:

EXHIBIT A.

NAVY DEPARTMENT,
OFFICE OF NAVAL OPERATIONS,
Washington.

MY DEAR MR. GREENE: In connection with the hearings before your committee held on June 9 on H. R. 5348, the following additional statement is submitted in accordance with your request:

Transpacific transport service.

Name of vessel.	Cost of operation.	Passenger accommodations.		Passengers carried.		Cargo space.	Cargo carried.
		First class.	Enlisted.	First class.	Enlisted.		
Newport News.....	\$220, 736	4	125	29	193	Tons. 4, 500	Tons. 11, 000
Pensacola.....	192, 520	25	150	129	228	5, 900	20, 000

The cargo transported by these two vessels would have cost, if transported commercially, \$465,000, the passengers would have cost \$102,650. A total of \$567,650 would have to be added to the Navy appropriations in order to move all of this freight and passengers commercially. One vessel would have to be retained for operation by the Navy Department in order to meet military requirements and about half of the freight would be transported in this vessel. Therefore, the increase in the appropriation required would be about half of the amount set forth, or \$238,825. The saving to the Government by placing the other vessel out of service would be \$206,128.

West Indian transport service.

Name of vessel.	Cost of operation.	Passenger accommodations.		Passengers carried.		Cargo space.	Cargo carried.
		First class.	Enlisted.	First class.	Enlisted.		
Kittery.....	\$283, 523	16	55	194	728	Tons. 700	Tons. 4, 900
Gulfport.....	145, 935	12	54	144	502	750	5, 000
Henderson.....	644, 505	70	1, 200	512	3, 755	1, 500	4, 500
Hancock.....	236, 944	40	986	167	1, 251	1, 000	1, 600
Beaufort.....	76, 301					2, 800	11, 500

The cargo transported by these five vessels would have cost if transported commercially \$130,000; the passengers would have cost \$268,110. A total of \$398,110 would have to be added to the Navy appropriations in order to move all of this freight and passengers commercially.

The *Kittery*, *Gulfport*, and *Beaufort* were the only vessels operated continually in the West Indian transport service during the past year. The *Henderson* made five voyages and the *Hancock* two voyages. All of this service was absolutely necessary, as commercial facilities were not available to maintain the naval and marine forces in the West Indies.

During the period that the *Henderson* was not employed in the West Indian transport service that vessel was employed in making tests of a gyroscopic stabilizer.

The *Hancock*, when not in the West Indian service, was employed in convoying the ex-German men-of-war from England to the United States, and on one voyage from the Atlantic to the Pacific coast, and from San Francisco to Pearl Harbor. The *Hancock* is over 47 years old and has passed her usefulness as a seagoing vessel, and is at present at the naval station, Pearl Harbor, Hawaii, acting as a barracks and receiving ship.

It is contemplated placing the *Gulfport* out of commission shortly, when the West Indian transport service will be carried on entirely by the *Henderson*, *Beaufort*, and *Kittery*. The *Beaufort* is employed solely for the transportation of drum gasoline and oils and a small amount of coal which can not be handled on vessels carrying passengers. If contracts were made with commercial concerns to carry on the West Indian service, the *Henderson* and *Beaufort* would have to be retained under Navy operation for service to the West Indies, at a cost to the Government of \$720,806. The *Henderson* would also be available for use in any other service required, such as marine expeditionary forces. By using the Navy vessels retained in addition to the commercial vessels, the appropriations would only have to be increased \$199,055.

For the two services the appropriation for transportation of freight and passengers would have to be increased \$437,880 and the appropriation for operation might be decreased \$613,586.

Sincerely, yours,

A. W. MARSHALL,
Captain, United States Navy.

HON. WILLIAM S. GREENE,
Chairman Committee on the Merchant Marine and Fisheries,
House of Representatives.

(The committee thereupon adjourned, subject to the call of the chairman.)

COMMITTEE ON THE
MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Thursday, June 16, 1921.

The committee met at 10.30 o'clock a. m., Hon. William S. Greene (chairman) presiding.

The CHAIRMAN. If you will give your name and position to the stenographer we will proceed.

**STATEMENT OF MR. THOMAS H. ROSSBOTTOM, THIRD VICE
PRESIDENT AND SECRETARY PANAMA RAILROAD CO.**

Mr. ROSSBOTTOM. Thomas H. Rosbottom, third vice president and secretary of the Panama Railroad Co.

Mr. EDMONDS. We are holding a hearing this morning, Mr. Rosbottom, on H. R. 5348, which I introduced, and the second section of which places the operations of the Panama Steamship Co. more or less under the jurisdiction of the Shipping Board.

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. We have heard from the Army and also from the Navy in regard to their transport service, and we would like to get from you a picture of your entire situation—in what routes you are

now operating, what services you perform, and also an accounting of what you are doing, as to the profits on your business, and any side freight business you may be carrying. We would like to get the complete facts from you of your exact situation at the present date and also your financial situation as to profits on the operation, or losses in the past, the number of ships you operate, and everything in connection with the business.

Mr. ROSSBOTTOM. I will be glad to give you the complete picture. We received the letter from the clerk of the committee, dated June 11, asking us to submit to the committee our reports for the last 10 years. I have these reports with me and submit them herewith. As a matter of fact, the reports have already been submitted to Congress; they are submitted to Congress each year in a message from the President.

I would like to start the story from the beginning, so as to paint the entire picture.

The Panama Railroad Co. is a corporation organized under the laws of the State of New York in 1849 for the purpose of constructing and operating a railroad across the Isthmus of Panama under a grant made by the Republic of New Granada to three American citizens and purchasing and operating steamship lines on the Atlantic and Pacific Oceans in connection with the railroad.

The Panama Railroad was constructed across the Isthmus of Panama and opened to commerce in 1855. It was the first trans-continental railroad on the American Continent. Its contract of concession gave the company the exclusive right of building a railroad on the Isthmus of Panama from one ocean to the other and bound the Government of New Granada not to undertake, nor to permit any one else to undertake, the construction of a canal across the Isthmus of Panama without the consent and concurrence of the Panama Railroad Co. About 12 or 15 years later that contract was modified by an agreement between the United States of Colombia (which had become the successor of New Granada) and the Panama Railroad Co. by which the company was given further rights in addition to those granted to it under the original contract, which should never be relinquished by the United States, but with this proviso, that while the Government of the United States of Colombia agreed that it did not have the right to undertake nor permit any other person to undertake the construction of a canal across the Isthmus of Panama without the concurrence and the consent of the Panama Railroad Co., it was not intended to give the company the right to prevent the construction of a canal excepting upon the route of the railroad itself, but entitled the Panama Railroad Co. to an equitable price for the granting of that privilege as an indemnity for the damages which the railroad might suffer by the competition of any canal that might be constructed.

Many years later the French Panama Canal Co. secured from the Republic of Colombia a concession to build a canal across the Isthmus of Panama, but as soon as they started operations they found that they could not do so without first purchasing or controlling the Panama Railroad. They could not operate trains of any character or transport any material, supplies, or employees, either on or across the Isthmus of Panama, because that was the exclusive privilege of the Panama Railroad Co., and they always had before them the pos-

sibility that sooner or later, if the canal was actually constructed, they might be obliged to pay the Panama Railroad Co. damages to the extent of many millions of dollars. They therefore bought up a large number of shares of the company, so as to practically control its board of directors, and they started in with the idea that so long as they had such control they could secure from the Panama Railroad Co. reduced rates for the transportation of the materials, supplies, workmen, etc., that would be necessary in the construction work of the canal. Then some minority shareholders of the company, who found out that the laws of the State of New York most carefully protected the rights of the minority shareholders, stepped in, and the company was prevented from entering into any agreement with the French Panama Canal Co. by which, for the transportation services rendered in the construction of the Panama Canal, it would charge any lower rates than were provided for in its regular tariff.

Mr. BANKHEAD. By some court procedure?

Mr. ROSSBOTTOM. By some court procedure. Then the old Panama Canal Co. knew immediately it had to secure absolute control of the Panama Railroad, and its representatives went out on the stock market and bought up about 68,100 shares out of a total of 70,000 shares, for which the French Panama Canal Co. paid \$250 a share, and they offered every shareholder the privilege to submit the remaining shares at the same price.

The CHAIRMAN. What was the par value?

Mr. ROSSBOTTOM. \$100.

The CHAIRMAN. And \$250 was what they offered?

Mr. ROSSBOTTOM. \$250 was what they offered and \$250 the old French Panama Canal Co. paid. In line with that purpose, the old French Panama Canal Co. was able to secure about 68,134 shares, I think, of the total of 70,000 shares of the Panama Railroad, only to find that they could not accomplish what they wanted to because there was still a minority interest outstanding. So, then, they hit on this procedure: They said, "We will do away with the existing board of directors and we will nominate an American board of directors." They did away with the old board of directors and nominated an entirely new board of directors, among whom, for instance, were Gen. John Newton, retired Chief of Engineers of the United States Army; Mr. S. R. Probasco, then chief engineer of the Brooklyn Bridge; Mr. Charles Coudert, a prominent lawyer of New York; Mr. J. Edward Simmons, then president of one of the largest banks in New York City; Mr. S. M. Felton, then an executive of one of the important American railroads; Mr. E. A. Drake, who is now our vice president; and other men of importance in financial, engineering, and railroad circles. They then requested the board of directors they selected to so conduct the operations of the Panama Railroad Co. as to minimize the possibility of any interference by the courts of the State of New York. The board of directors followed along that line and there was no further cause for complaint. The operations of the Panama Railroad Co. at that time consisted only of the railroad across the Isthmus, and it was not until several years later that it inaugurated its steamship service on the Atlantic Ocean.

Mr. BANKHEAD. At what period is that?

Mr. ROSSBOTTOM. A change in directors was made, I think, in 1888 or 1889. It was about 1893 that the railroad company inaugurated its steamship service, and at that time its operations consisted of

a railroad across the Isthmus and the Panama Railroad Steamship Line operating between New York and the Canal Zone on the Isthmus. At that time the port was called Aspinwall, which was the name of one of the three Americans who secured the original grant from New Granada.

The local business did not amount to very much. There was practically no local business or freight. The real business of the steamship line, and of the railroad, was through cargo from the United States and from Europe to the west coast of Central America, Mexico, California, Colombia, Ecuador, Peru, and Chile, and the railroad had these connections—its own steamship line between New York and Aspinwall (later renamed "Colon"), which acted as a feeder for the railroad, and the Hamburg-American Line, which operated between New York and Colon. From Europe, they had the Spanish Line, the French Line, the Italian Line, the Prince Line, the Royal Mail Line, the Leyland Line, the Harrison Line, and the Hamburg-American Line. These were all operating on the Atlantic coast. On the Pacific coast they connected with the Pacific Mail Steamship Co. for Central American, Mexican, and Californian points; with the Chilean Line, which is the national line of Chile, running from Panama down the west coast as far as Chile; the Pacific Steam Navigation Co., operating also on the west coast as far as Chile; and, later on, the Peruvian Steamship Line, which is the national line of Peru, operating down the west coast as far as Peru.

That was the plan of operation of the board of directors as selected by the French Panama Canal Co., and was made effective for this reason; the French Canal Co. figured that sooner or later the Panama Canal would be completed. Of course, they hoped that would be accomplished by their efforts, and they desired to make the Panama route one of the most important trade routes of the world and to have traffic regularly moving so that by the time the canal was completed this traffic would naturally be transferred to the Panama Canal instead of moving over the railroad; and the Panama Steamship Line was used as a feeder for that purpose.

When the time arrived that the French Canal Co. could not construct the Panama Canal because of financial and other difficulties, negotiations were concluded by the United States by which all the assets of the French Panama Canal Co. were turned over to the United States.

Among those assets were approximately 68,134 shares of stock out of a total of 70,000 shares, the Panama Railroad across the Isthmus, and its steamship line to New York.

Mr. BANKHEAD. How many vessels did they have in operation at that time?

Mr. ROSSBOTTOM. We had four of our own vessels in operation at that time. The question then naturally arose as to what the Government was going to do with the Panama Railroad—"did it want to go into the commercial business; here is a railroad and here is a steamship line both in actual operation; the Government is going to own this railroad and this steamship line, and what are we going to do with them?" At that time Mr. Roosevelt was President and Mr. Taft Secretary of War. The first plan they considered was to force the minority shareholders to sell their stock to the Government, but they found no way by which that could be accomplished, so Mr. Taft asked

the attorney of the company and of the French Panama Canal Co., a prominent lawyer by the name of William Nelson Cromwell, and Mr. E. A. Drake, the vice president, to go around and locate the minority shareholders and see if they could not be induced to part with their shares of stock at a reasonable rate, so that there would be no question about the Panama Railroad Co. being owned by the Government of the United States and of the Government doing with it just what it pleased. As a result of their efforts those two gentlemen arranged for the purchase of the balance of the stock and turned it over to the Secretary of War.

The next question that arose was about the bonded indebtedness. At that time we had a bonded indebtedness of something like \$2,000,000 of 4½ per cent bonds. Those bonds had been issued with the idea they could be called in upon six months' notice, because at the time the bonds were issued the directors had in mind that ultimately the Government of the United States would desire to secure control of the company. So the Secretary of War applied to Congress for an appropriation to purchase the bonds of the company. I believe something like \$2,100,000 was appropriated by Congress, and the bonds were called in by the Panama Railroad Co. and redeemed, and are now being held by the Treasurer of the United States. The company then was actually the property of the Government of the United States; there was no question about it; there was no question of a minority interest or anything else involved.

Mr. EDMONDS. When was that ownership completed; in 1906?

Mr. ROSSBOROM. I should think about 1906. The question then arose as to what the Government was going to do with the company; "Here it owns a railroad, and here it owns a steamship line; the Government has never been in the railroad business before, and has never been in the steamship business before, and what is it going to do with it?"

The first idea was that the railroad should not handle any commercial business at all; that it ought to get out of the commercial business—that is, as far as the railroad across the Isthmus was concerned—and devote itself entirely to the construction of the Panama Canal. They liked the idea at first, but when they looked into it they found that it could not be done very well, because the only trade route between Europe and between the United States and the west-coast countries of Central and South America was the Panama Railroad. So after considerable discussion, Mr. Taft, then Secretary of War, with the approval of President Roosevelt, decided that the Panama route could not be closed; that the railroad should be used for the construction of the canal during the daytime; that nothing but canal work should be handled during the daytime; and that all the through freight that the railroad must necessarily handle across the Isthmus should be carried during the nighttime. The railroad was conducted on that basis until the completion of the canal.

The question also arose at that time as to what to do with the steamship line. The first plan was to turn the steamship line over to some one else and let them operate it; but the more they looked into that the more convinced they were that the Panama Canal authorities should have exclusive control of its own steamship line; that they should never be dependent on anyone else to furnish steamship transportation for the supplies, materials, and employees necessary for the

construction, operation, and maintenance of the canal. That plan, after mature consideration, was recommended by Mr. Taft, approved by President Roosevelt, and made effective. The fact that the Panama Canal has always had complete control over the operations of the Panama Railroad steamship line and has not been dependent upon outside or privately owned steamship lines for the transportation of its supplies, materials, and employees, has assisted in no small degree to the satisfactory completion, operation, and maintenance of the Panama Canal.

At that time this through business to which I have referred was handled on the basis of each carrier receiving a certain proportion of the through rate. For instance, the European lines from Europe to Colon, handling traffic destined to Central American, Mexican, and west coast ports would receive as their proportion approximately 41 per cent of the through rate; the railroad would receive, as its proportion, approximately 25 per cent of the through rate, and then the Pacific Ocean carriers, that connected at Panama (the Pacific coast terminus of the railroad), would receive as their proportion the balance of the through rate. The initial carrier made the rates, and the railroad itself took its proportion of the rates as named by the initial carriers.

When the Government secured control of the company, Mr. Taft sent for our vice president, Mr. Drake, and myself, and practically laid down this policy: "You must not do anything that will subject the Government to criticism because of operating a railroad and steamship line; it is a departure; we can not help it; if you establish a rate you must be prepared to justify it, you must establish and maintain rates on a reasonable basis, you must not raise them simply because charter or market conditions or something else throughout the world might justify you in raising them, raise them only because your operating expenses require that that be done and endeavor to conduct the operations of the company so as to insure a reasonable return on the investment."

Mr. BANKHEAD. What figure did he suggest as a reasonable return, if any?

Mr. ROSSBOTTOM. He made no suggestion; he left that to the officers and board of directors.

Acting along those lines, the first situation we encountered was this: The distance from New York to the Canal Zone is approximately 1,970 miles; say, 2,000 miles; and the distance from Europe to the Canal Zone, from the nearest port in Europe to the Canal Zone, is about 2,000 miles greater. The steamship lines from Europe, involving a haul of 2,000 miles more than the haul from the United States, were charging the shippers from Europe less than the same steamship lines were charging shippers from the United States for a haul of 2,000 miles less. That same condition also existed on traffic from the west coast to the United States and to Europe. The carriers on the Pacific coast, with the exception of the Pacific Mail Steamship Line, were all foreign steamship lines. I do not know of any reason—

Mr. BANKHEAD. Pardon me there just a moment. That was in 1894, approximately?

Mr. ROSSBOTTOM. That was in 1906.

Mr. BANKHEAD. What justification was offered for the excess rate charged by the American boats over those from European ports on that freight rate, considering the distance of the haul?

Mr. ROSSBOTTOM. It was just a question that they could get it and they got it. There was not any reason given at all; the lines just charged the American shippers much more than some of the same lines charged their European shippers, because some of those foreign lines were also operating from the United States.

Mr. EDMONDS. In other words, they had a conference agreement and the freight coming from the United States was made to pay a higher rate than freight coming from Europe?

Mr. ROSSBOTTOM. Exactly. The same situation existed on traffic from the west coast to the United States and Europe in the rates charged by the Pacific Steam Navigation Co., a foreign line; the Chilean Line, a foreign line, and, later on, the Peruvian Line. The Peruvian Line was not in existence at that time, but the other two foreign lines I have named charged rates to Europe on the basis—on coffee, for instance, the rate to Europe was 60 shillings. The same commodity, to New York, involving a haul of 2,000 miles less, would pay from 80 to 90 shillings. In other words, the carriers got out of the traffic whatever they could. The operating officers took that question up with the board of directors and we were instructed to arrange, as far as we could, to establish rates from the United States and to the United States on at least as low a basis as the rates from and to Europe.

It took us four years to accomplish anything in that direction, but finally we succeeded in doing it. We were able to do it because we controlled the railroad across the Isthmus and we practically controlled the rates to New York by our steamship line. We also had the right to insist with those foreign steamship lines that if they did not fall in with that policy, we would not accept their cargo on the through-billing basis, but would charge the local rates across the Isthmus, which were very much higher than our charges on the through-billing basis. So that, at the beginning of the war between Great Britain and Germany, the rates from the United States to the countries of Central and South America, on the west coast, and the rates from those same countries to the United States, were on a parity with the rates to and from Europe, solely by the action of the Panama Railroad Co. and its steamship line.

Now, then, the European war started—

Mr. EDMONDS. If you had not owned the railroad, you could not have done it?

Mr. ROSSBOTTOM. We could not possibly have done it if we had not owned the railroad and the steamship line between the Canal Zone and New York. The mere fact we owned the railroad and the steamship line made it possible to accomplish that purpose.

Mr. DAVIS. Still, the fact you did it resulted in a very great advantage to the American shippers and those receiving the shipments?

Mr. ROSSBOTTOM. There is no question about that. As a matter of fact, the rates from the United States and to the United States should be lower than the rates to and from Europe, because the haul is 2,000 miles less.

Mr. EDMONDS. Still, you could have accomplished the same thing by the ownership of the railroad, without owning the steamship line, by taking the same position. You did not necessarily have to have the steamship line to do that?

Mr. ROSSBOTTOM. Yes, we had to have the steamship line to do that, because the railroad would have had to run down the coast to be able to handle that freight, and there was no way of bringing the business to New York except by the foreign lines and the foreign lines would not handle the business. We could force the carriers on one ocean to do what we wanted, but we could not force them on both oceans to do what we wanted, so far as the New York traffic was concerned, because the traffic to and from New York was also handled by the foreign lines that operated from ports in Europe.

Mr. EDMONDS. You did not join the conference at that time.

Mr. ROSSBOTTOM. No. There was a European conference, but there was no American conference.

Mr. EDMONDS. There was no conference on the lines running from New York?

Mr. ROSSBOTTOM. No.

Mr. EDMONDS. And there was nothing in the way of a Pacific-coast conference?

Mr. ROSSBOTTOM. No. In fact, they were all scared of a conference; they were afraid they would have to go to jail if they ever went into a conference, because at that time conferences were tabooed. They held all kinds of conferences in Europe, but they could not hold any in the United States; they never tried to do it because they were afraid to do so.

Mr. BANKHEAD. Was that on account of the antitrust law?

Mr. ROSSBOTTOM. Yes. In fact, even after the shipping act was passed, you would find any number of steamship operators who were scared to go into a conference, even though they saw in the law where it allowed them to do it; because they had been so impressed with the idea that conferences were taboo in the United States that they could not realize the situation had changed.

Then the European war started and that mixed up the entire situation. The European lines started to add surcharges for the war risk, surcharges for this, and surcharges for that until the rates from Europe to the west coast and from the west coast to Europe were very much in excess of the rates from the United States to the west coast and from the west coast to the United States. That was the first time we had any real unpleasantness with our Atlantic-connecting lines. They claimed that we had forced them to establish the rates from Europe and from the United States on a parity and now that they were obliged to raise their rates from Europe, because of the war conditions, we also should increase our rates from New York to American shippers. But there was no justification for doing it; the steamship line was operating at a reasonable profit; there was no unusual war risk as far as the American shipper was concerned; and we could not do it; and we refused to do it. The European lines, however, had to increase their rates, and did so until the termination of the war. By that time, their rates were in some cases nearly 75 per cent higher than the rates to and from the

United States. The minute the war terminated they cut off all those surcharges and reduced their rates by about 50 per cent.

Mr. BRIGGS. Below the American rates?

Mr. ROSSBOTTOM. Below the regular rate itself.

Mr. EDMONDS. The canal was working at that time, too?

Mr. ROSSBOTTOM. The canal was operating at that time, too; yes.

Mr. EDMONDS. In your shipments from the Atlantic to the Pacific, were not your rates subject to the boat rates carrying through the canal; were not you forced to keep your rates down pretty well on account of the canal?

Mr. ROSSBOTTOM. No. No; the canal had very little effect in the beginning. During the time the war was in full force the canal was being used to transfer ships engaged in the transportation of war material and the railroad was not being used to handle through freight. The steamers came through the canal and discharged their cargoes at Cristobal, taking the place of the railroad, and we picked them up at Cristobal and brought them to New York. The railroad at that time was practically out of the situation, because the minute the Panama Canal was opened to commerce, the railroad was prohibited, by act of the Secretary of War, from carrying any through freight at all, and was thereafter confined to the handling of Army and Navy freight, Panama Canal freight, and the local freight of Colon and Panama. The railroad was not allowed to handle through freight from the west coast to Europe or from the west coast to New York, or vice versa, on the theory that the railroad, being owned by the Government, and being practically an adjunct of the Panama Canal, should not be allowed to compete with the Panama Canal.

Mr. EDMONDS. My idea was that the railroad is really there to-day, and was built with the idea that if anything happened to the canal at any time, transfer could be made of the freight over the Isthmus by the railroad?

Mr. ROSSBOTTOM. That is right. If anything should happen to the canal, as it did about four years ago, the railroad is there to transfer the freight between the ships on the Atlantic and ships on the Pacific, and vice versa; but it is not now allowed to handle any through freight.

Mr. CHINDBLOM. Of course, the capacity of the railroad would not be enough to handle any large transfer of freight?

Mr. ROSSBOTTOM. No; it would not.

Mr. CHINDBLOM. It would just be sufficient to take care of it in an emergency?

Mr. ROSSBOTTOM. Just to take care of it in an emergency, and we did that when the slides started, for about five or six months. But of course the railroad should not be allowed to compete with the canal, and in fact could not compete with the canal.

Mr. BRIGGS. I wish you would resume your story now. At the time the war closed, you said they reduced the rates 50 per cent. Do you mean below the rates from American ports to the west coast?

Mr. ROSSBOTTOM. No. For instance, they would have their rates fixed at 80 shillings. That would be the basic rate. Then the rate quoted would be plus 50 per cent; plus 30 per cent; plus 20 per cent, and plus 10 per cent, for the different war charges. Now at the termination of the war, without any decrease whatever in operating expenses, these 50 per cent, 30 per cent, 20 per cent, and 10

per cent additions to the main rate were done away with, and then the rate itself was reduced from 40 to 60 per cent.

Mr. DAVIS. Was that due to a reduction in the shipping business, or was it due to the fact that they could then ship through the canal instead of on the railroad, and that that feature of the expense was less?

Mr. ROSSBOTTOM. No. I think it was due to a well-defined policy on the part of the important foreign steamship lines—I do not know whether of the foreign Governments or not. They saw that during the war the traffic between the United States and Central and South America was developing to an unusual extent and at the expense of the European merchant; that the only way they could get that traffic back was by reducing rates; and they reduced rates to a basis far below that warranted by their operating conditions.

Mr. DAVIS. Right in that connection, at the time they made that 50 per cent reduction, is it your opinion that they were still operating at a profit?

Mr. ROSSBOTTOM. No. They could not possibly operate at a profit. Of course, we can not tell why these foreign steamship lines, after the termination of the war, made such radical reductions in their rates. They were not justified by the operating conditions, and the only justification I can imagine was that by making those radical reductions Europe would secure the traffic that the European lines considered Europe was entitled to.

Mr. DAVIS. In other words, it was a case of rate cutting for the purpose of getting the business?

Mr. ROSSBOTTOM. That is it exactly.

Mr. CHINDBLOM. Did they get the business?

Mr. ROSSBOTTOM. Yes; they did.

Mr. SCOTT. Do you know of any subsidy they received from any place to reimburse them for the loss?

Mr. ROSSBOTTOM. I do not.

Mr. HARDY. Do you think they just pocketed their loss in order to absorb the traffic?

Mr. ROSSBOTTOM. I do not know. I do not see how those foreign steamship lines could afford to do it. It looks to me like more of a governmental policy.

Mr. EDMONDS. Are you aware of any conference in existence to-day covering ships going through the canal?

Mr. ROSSBOTTOM. Yes; there is a conference of the West India and Atlantic Steamship line companies.

Mr. EDMONDS. Do they go through the canal?

Mr. ROSSBOTTOM. They go through the canal.

Mr. EDMONDS. Where do they go—to South America?

Mr. ROSSBOTTOM. They run to Central and South America.

Mr. EDMONDS. You see, we investigated the conferences in 1913, but this would be something new.

Mr. ROSSBOTTOM. It is a European conference of all the European steamship lines engaged in traffic through the Panama Canal and also in the transshipment traffic moving via Cristobal.

Mr. LAZARO. You just stated a moment ago that there must have been an understanding between these European companies and their governments; you do not think there is anything secret about it, and don't you think you ought to investigate it?

Mr. HARDY. I do not think this witness said that, that there must have been an understanding.

Mr. ROSSBOTTOM. What I intended to convey was this: That I do not see how those foreign steamship lines, from an operating standpoint, could have offered to reduce their rates to the extent that they did; that it certainly involved a very, very serious financial loss, and there were only two reasons I could see why it should be done: The first was that they did not like the idea of this west coast business being controlled by the United States, as it was practically being controlled, and that they wanted to divert it to Europe; or, second, that their governments might have been interested in that.

Mr. LAZARO. That is where I misunderstood you.

Mr. ROSSBOTTOM. Whether that is so, I do not know. It is an important question, because there is a great deal of money involved in it, and how the foreign steamship lines could have afforded to reduce their rates to the extent they did, I do not see.

Mr. HARDY. What were the nationalities of these steamship lines that made these cuts?

Mr. ROSSBOTTOM. Great Britain, France, Spain, Italy, and Holland.

Mr. EDMONDS. And Norway and Sweden?

Mr. ROSSBOTTOM. No; not Norway and Sweden. I think just those five.

Mr. EDMONDS. Denmark was in it, wasn't it?

Mr. ROSSBOTTOM. I do not know about the rates from Denmark.

Mr. BRIGGS. It is a fact, is it not, that for sometime subsequent to the close of the war the ships of certain of those companies were controlled by the governments themselves—the British lines by the British Government and the Italian lines by the Italian Government?

Mr. ROSSBOTTOM. That is so.

Mr. BRIGGS. In fact, even to-day they are operating some of those vessels themselves and they are appearing in the courts here, in libel proceedings, as the Kingdom of Italy, and other appearances for other countries, showing they are still under governmental control?

Mr. ROSSBOTTOM. There certainly was at the time of the termination of the war; but I do not know whether it is to-day or not.

Mr. EDMONDS. The government control is removed now. If you will go over the Commerce Reports, you will find while the government is actually engaging in trying to help along shipping, as far as any control by the government is concerned, it is all removed.

Mr. BRIGGS. I do not think so in reference to the Italian Government, because I noticed a case in my own State court where the Italian Government filed a petition to intervene.

Mr. EDMONDS. Was that recently?

Mr. BRIGGS. Very recently; one case within the last month, where it was a collision accident, and there were three Governments intervening; the Japanese Government, the American Government—the one vessel in the collision being a Shipping Board vessel—and the Kingdom of Italy, and all of them appearing in their capacity as a government.

Mr. EDMONDS. Was it in connection with damage to cargo or in connection with damage to the boat?

Mr. BRIGGS. It was in connection with the boat.

Mr. EDMONDS. Was it a cargo vessel?

Mr. BRIGGS. It was a cargo vessel.

Mr. EDMONDS. I am satisfied that the Kingdom of Italy and all these countries have purchased material that they have paid for directly through the Government, and, of course, naturally, if there is a libel against the ship for some damage to the cargo it would be the Kingdom of Italy; but I question whether they are appearing in connection with damage to the ship. I saw in the Commerce Report only the other day where the Italian Government was doing everything it could to push ahead certain lines of steamers and to extend their operations.

Mr. BRIGGS. That may be true, but this was the Kingdom of Italy appearing as one of the proper parties to the action.

Mr. EDMONDS. And so it may, even though it is only interested in the damage to the cargo.

Mr. BRIGGS. This was a libel for damage to the vessel as well as to the cargo.

Mr. EDMONDS. Of course, they always go together, and still the interest of the Government might have been only in the cargo.

Mr. BRIGGS. I do not know about that. Evidently the shippers themselves appeared in that case, but I only remember these three nations on account of the nations themselves appearing.

Mr. DAVIS. You have explained the 50 per cent reduction in European rates. Has that reduced rate continued up until the present time?

Mr. ROSSBOTTOM. It has.

Mr. EDMONDS. Let me ask Mr. Rossbottom just one thing in connection with the conference. You say there is a conference among the European lines now, on freight going to the west coast of South America?

Mr. ROSSBOTTOM. There is.

Mr. EDMONDS. Is there on the Australian business?

Mr. ROSSBOTTOM. I do not know anything about Australian business.

Mr. EDMONDS. Is there any on the Pacific business—the Chinese business?

Mr. ROSSBOTTOM. I do not know anything about that.

Mr. EDMONDS. But there is a conference on the west coast?

Mr. ROSSBOTTOM. There is.

Mr. EDMONDS. Is that published; are the conference rates and so on published?

Mr. ROSSBOTTOM. Yes; the conference rates are published; that is, they are published by each individual line.

Mr. EDMONDS. Jointly?

Mr. ROSSBOTTOM. No; as individual corporations.

Mr. EDMONDS. Are there any rebates in that conference?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. Have you a copy of that?

Mr. ROSSBOTTOM. No; I did not bring any copy of the European rates over with me, but I will be glad to send you a copy. We have the names of the companies in the tariff. The Royal Mail Steam Packet, the West Indian Steamship Line, the Leyland Line, and the Harrison Line, and the Compagnie Generale Transatlantique.

Mr. EDMONDS. Could you note on that the number of lines in the conference?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. Have you knowledge of them?

Mr. ROSSBOTTOM. I have a general knowledge of the number of lines in the conference and have an accurate knowledge of them before the war. I do not know accurately what has happened since the war.

Mr. EDMONDS. They do not publish a joint sheet like the French Transatlantique do on the West Indies?

Mr. ROSSBOTTOM. No.

Mr. BRIGGS. Is there an American conference as well as a European conference?

Mr. ROSSBOTTOM. No, it is just a European conference.

Mr. BRIGGS. Are there any American conferences?

Mr. ROSSBOTTOM. Surely, of the Shipping Board.

Mr. BRIGGS. I mean separate and apart from that?

Mr. ROSSBOTTOM. I do not think so.

Mr. DAVIS. Along that line, with respect to the American rates, were they changed to meet that reduction in the European rates?

Mr. ROSSBOTTOM. No, only partly.

Mr. HARDY. In our investigation, we found all the lines across the ocean were in combination and we passed laws affecting those combinations, simply requiring that in order to entitle any ship to clearance it must be operated under certain rules and regulations which we ourselves framed. We recognized these combinations were here to stay and there was no prohibition against our American ships entering into those combinations and into those conferences, and it was understood that they would be given that privilege. But we penalized rebates and deferred rebates and we penalized discriminations and we made the right of a foreign vessel to receive her clearance papers dependent upon its compliance with our laws, if it came into our ports.

Mr. EDMONDS. We went further than that; even if they did not come into our ports, if it was a part of a line giving deferred rebates, running anywhere in the world, we could refuse other steamers of that line our ports.

Mr. HARDY. Exactly. We went to the utmost limits and tried by the most restrictive legislation possible to prohibit such discriminations as tended to destroy our shipping.

Mr. DAVIS. And also to refuse clearance if they declined to allow American operators to enter their conferences.

Mr. EDMONDS. That was the thing we put through this committee last year, when we enlarged our powers under the original bill. The powers are very complete to-day and the Shipping Board has in its hands the right to refuse clearance to any boats, we will say, of the Leyland Line, even if they do not give deferred rebates so far as the United States in concerned, if it joins a conference which American steamers are not allowed to join; they can refuse the boats of the Leyland Line, even if their deferred rebate steamers did not touch this country at all, the right to come to this country.

Mr. BANKHEAD. I think this matter of having a comparison of the conference rates with our rates is a very important proposition and I would like the witness to furnish a statement of those conference rates for the record, in this hearing.

The CHAIRMAN. You can do that?

Mr. ROSSBOTTOM. I will be very glad to do it.

Mr. DAVIS. And also a copy of the conference agreement, if he has it.

Mr. ROSSBOTTOM. No, I do not have that. We are not members of the conference and do not get copies of that. All we receive are the tariffs.

Mr. EDMONDS. It was easy in the joint agreement we had down here in the conference with the West Indian trade, Cuba, and so on, to break that up, so far as the West Indies was concerned, because the Shipping Board took up these lines and the conference blew up. They discriminated against our ships with their deferred rebates and in order to get the rebate they had to ship all their stuff over the conference lines. They did not get the rebate if there was any instance where they had shipped over our lines. And if we want to use the tools we have and to keep the American merchant marine at sea, we can not allow those tools to be used surreptitiously against our own people as they have been in the past and still allow them to make money out of us.

Mr. DAVIS. Has there been any change in the situation since the enactment of the law?

Mr. ROSSBOTTOM. No change whatever. The West Indian and Atlantic Steamship Lines Conference is still in existence in London and has been for probably the last 20 years; and the tariffs of the steamship lines forming the members to that conference provide for uniform rates from Europe to west coast ports via all of the lines; they provide, also, for deferred rebates, and some of those same lines operate from the United States to the same destinations on the west coast, also.

Mr. EDMONDS. You have never brought that to the attention of the Shipping Board at all, have you?

Mr. ROSSBOTTOM. No; I have never brought the rebates or conference to the attention of the Shipping Board, but I did bring to the attention of the Shipping Board the question of the rates from Europe being so far below the rates from the United States to the west coast of Central and South America, and urged if they would not allow the other members of the Shipping Board conference to reduce their rates to the level of the European rates, that at least we be given the privilege of doing so, because we were quite willing to do it.

Mr. HARDY. To whom do you refer as "we"?

Mr. ROSSBOTTOM. To the Panama Railroad Steamship Line. The Shipping Board took that question up with the people in the conference and they thought we were bolsheviks or anarchists, or something else, because they said it was a crazy idea; that the American steamship lines could not afford to operate on that basis. I know they can not afford to operate on that basis and I know the European lines can not afford to operate on that basis, but they do.

We stated to them that if the exporters associations of the United States and chambers of commerce knew the American merchant and exporter had to pay very much more for the transportation of his goods to and from the United States and the west coast of Central and South America than the European shipper did for a haul of 2,000 miles more, life would be made miserable for them, because these exporters associations would realize that sooner or later it would result in diverting trade from the American market we had so successfully developed to the British market. I know that the Shipping

Board took that up with several of the operators engaged in the west coast trade, because I was present at some of the meetings. We all agreed that the rates could not be met except at a loss, but the conclusions of the conferences I attended was that it was possible for the American steamship lines to secure higher rates from New York than the European steamship lines secured from Europe, and that so long as that condition existed, and the American shippers were willing to pay and made no great big "howl" about it, the best thing to do would be to leave the situation alone until it was necessary to reduce rates, because they all realized they would be going into a losing business. That is the last I have heard of it.

Mr. DAVIS. If it is going to be a question of rate cutting, you think we ought to get into it and get over the fever?

Mr. ROSSBOTTOM. I certainly do. There is no reason in the world why the traffic of the United States to and from the west coast of Central and South America, and to and from the West Indies, should be controlled as it is to-day by the European steamship lines, operating from New York, some of whom also control the traffic to and from Europe. The American lines do not control American traffic from New York to the West Indies or to Central and South America; the European lines control it and those European lines sail from New York and they sail from Europe.

Mr. EDMONDS. What is the use of our digging out those things and studying them and giving the Shipping Board the power to correct them unless you folks and the executive departments exercise the power?

Mr. ROSSBOTTOM. I have nothing in the world to do with it; I am only connected with the Panama Railroad Steamship Line.

Mr. EDMONDS. You must understand that in so far as supervision is concerned, you come under the Shipping Board the same as any other steamship line.

Mr. ROSSBOTTOM. And we reported it to the Shipping Board.

Mr. EDMONDS. And it is your place, along with the others, to bring up those points in any conference, as was done by one of the New York Steamship lines, an American line, bringing it to the attention of this committee, and it was through that that we enlarged this law and made it operative so that they could catch those fellows, and they broke up that New Orleans-Cuban conference, I am informed. I do not know whether that is true or not; is that right, Mr. Dean?

Mr. DEAN. I think so.

Mr. CHINDBLOM. Let me suggest the gentleman has already said he called the attention of the Shipping Board to these rates and offered, so far as his company was concerned, to try to meet that competition, and evidently the Shipping Board did nothing about it.

Mr. ROSSBOTTOM. They refused to let us do so.

Mr. DAVIS. When did you call their attention to it?

Mr. ROSSBOTTOM. We did it in correspondence, I think, about two years ago, when Mr. McNiece was connected with the New York office of the Shipping Board.

Mr. CHINDBLOM. Perhaps I should not have said just now that the Shipping Board did nothing about it, but upon consideration they decided not to do anything in the matter. It did do something in response to your suggestion—namely, it decided not to take any action; is that right?

Mr. ROSSBOTTOM. I do not know.

Mr. EDMONDS. The law would not cover it at that time, and they said they could not take any action; but the law does cover it now.

Mr. CHINDBLOM. If the law did not cover it, did they come and ask for legislation?

Mr. EDMONDS. Yes; and that resulted in the legislation we passed.

Mr. HARDY. Mr. Rossbottom did not say he called to their attention anything except the fact the rates were lower. The Shipping Board would not have anything to do with that, but it would have something to do with preventing their getting clearance papers if it had evidence showing these companies were engaging in practices, trading out of New York, which our law forbade. As to rebates, you did not give them any notice, except the fact they were publishing these low rates?

Mr. ROSSBOTTOM. In the letters we sent to the Shipping Board, calling their attention to the difference between the rates from the United States to the west coast and from Europe to the west coast, we inclosed tariffs of the West India Steamship Co. and the Leyland Line, and right on the tariffs of those two companies it is plainly indicated that all rates are subject to a deferred rebate of 10 per cent. We did not mention that specifically in our letter, because personally I did not know we could have anything to do with foreign steamship lines sailing from Europe to the west coast—I did not know we had anything to do with their operations so far as granting deferred rebates was concerned.

Mr. HARDY. What I want to get at is whether it is a fact these illegal practices were brought to the attention of the Shipping Board—these practices forbidden by our law on the part of our foreign competitors?

Mr. ROSSBOTTOM. Only through the submission by us of the tariffs.

Mr. DAVIS. And that, of course, was before the enactment of the Jones Law that provided for penalizing them?

Mr. ROSSBOTTOM. It was about two years ago.

Mr. DAVIS. The Jones law was passed last year.

Mr. CHINDBLOM. In justice to the entire situation, I want to suggest that there probably was some other agency, or some other officers of the Government, or probably some one in the Shipping Board itself, who could have given his attention to these rebates, and I do not think this gentleman or his company should be charged with any failure in the performance of a duty on their part.

Mr. DAVIS. I do not understand we are trying to do that.

Mr. EDMONDS. If you will look at section 20 of the shipping act, you will notice we put in a new section, called 14a. Part 2 of that says:

* * * any person, not a citizen of the United States and engaged in transportation by water of passengers or property who has violated any provision of section 14—

That is the old law.

or is a party to any combination, agreement, or understanding, express or implied, that involves in respect to transportation of passengers or property between foreign ports, deferred rebates or any other unfair practice designated in section 14, and that excludes from admission upon equal terms with all other parties thereto, a common carrier by water which is a citizen of the United States and which has applied for such admission.

In other words, they can form that European arrangement if they want to, but if a line of ours wishes to enter that arrangement and they refuse, then they have the right to refuse entry of their ships into our ports. Then it goes on to say:

* * * The Secretary shall thereafter refuse such person the right of entry for any ship owned or operated by him or by any carrier directly or indirectly controlled by him, into any port of the United States, or any Territory, District, or possession thereof.

It is very complete.

Mr. HARDY. The only substantial addition that was made to the old law was that we provided in the original act to prohibit all these discriminations by ships that were trading in our ports and to prevent them from getting clearance papers; but we did not have any provision in the original act which at all affected any discriminations that might be made by ships in their trade between foreign ports.

Mr. DAVIS. Of the same company doing business in our ports.

Mr. HARDY. Yes; now we extended the original act to make it cover cases where a line trying to sail in our trade and, at the same time, having other vessels engaged in foreign trade, was using discriminatory methods in those foreign trades and excluding our ships from it. In other words, this perfected law we already had on the statute books by extending it to trade between foreign ports.

Mr. EDMONDS. From being local it became international.

Mr. HARDY. Yes; from being local it became international.

Mr. ROSSBOTTOM. It seems to me in that last clause you quoted you have taken the teeth out of the law. You say participation by foreign steamship lines, if this deferred rebate agreement is contrary to law, but only in the event that those same lines refuse to allow American lines to enter the same agreement. You see, there is no question about American lines entering the agreement from Europe to the west coast, because an American line would not be allowed to operate from Europe to the west coast, and so that situation could not exist. Here is the situation: You have these foreign lines operating from Europe to the west coast under a deferred rebate agreement. Now, these same companies operate from New York—of course, not under a deferred rebate agreement so far as New York is concerned or so far as American traffic is concerned; but so far as European traffic is concerned, from Europe to the west coast of Central and South America, all that traffic is handled under a deferred rebate agreement. Is that contrary to law?

Mr. EDMONDS. No; because we have no jurisdiction over that and we could not pass any law giving us jurisdiction. But we could say this, that if an American ship is in London and wants to carry from London, we will say, to Peru, and wants to stop at New York on the way, and finds it can not get cargo from London to Peru, or from Peru to London, on account of the deferred rebate arrangement existing among a certain number of foreign lines, if he goes to those foreign conference lines and says he wants to get in on this agreement—"I want to carry some of that freight as part of my cargo"—and they say they won't allow him to come in, then we have the right to say to the Leyland Line or any other line, "You can not come here to get any cargo; you just stay out of our ports after this, because you have refused to allow our ships to go into the deferred rebate arrange-

ment." We can not control deferred rebate agreements of foreign lines directly by law, and we went as far as we could in that law to cover that ground, because it was closely touching on our rights; and I think we have kept within our rights, because we at least have the right to keep a ship out of our ports if we do not want it in here.

Mr. BANKHEAD. When you proposed to the Shipping Board to allow your vessels to carry this freight—

Mr. ROSSBOTTOM. The traffic from New York to Central America and the traffic from New York to South America.

Mr. BANKHEAD (continuing). Of course this cut had gone into operation?

Mr. ROSSBOTTOM. Yes.

Mr. BANKHEAD. What did you have in mind as to where you would get the money to reimburse that loss?

Mr. ROSSBOTTOM. We would have to get it out of our own company; we could not go to Congress to secure funds.

Mr. BANKHEAD. You would have to make it out of the Panama Railroad Co.?

Mr. ROSSBOTTOM. We would have to make it up ourselves.

Mr. BANKHEAD. Ultimately that would deplete the funds of the company?

Mr. ROSSBOTTOM. It would, but you have to look at it this way: Are you going to operate your ships without any cargo at all, because the European steamers are taking it away from you, or are you going to operate your steamers partly filled with cargo at low rates; is the loss going to be greater by operating your steamers in ballast or by operating with part cargoes at low rates?

Mr. BANKHEAD. In the long run it amounts to a subvention or subsidy out of Government funds; that would be the ultimate conclusion.

Mr. ROSSBOTTOM. I do not think so.

Mr. HARDY. I think it amounts to a Government instrumentality entering into the spirit of competition and seeing who can last the longest.

Mr. BANKHEAD. But if you carry that far enough and operate on a big enough scale, it is, of course, going to deplete any funds belonging to the Panama Railroad Co., which belong to the Government.

Mr. ROSSBOTTOM. Unquestionably.

Mr. BANKHEAD. So is not that, in principle, taking funds out of the Treasury?

Mr. ROSSBOTTOM. It is in a way. But look at it from this point of view: You are obliged to operate your steamers between New York and the Canal Zone to take care of ordinary Canal freight and Government freight and to handle your passengers—Government employees. There is no question about that; you must do that, and the Panama Railroad Steamship Line is doing it. Now, if South American business is taken from us by the competition of these foreign lines from Europe and the business is diverted from the United States to Europe, and we will lose, say, twelve or fifteen thousand dollars in the operation of a single steamer, by not carrying that little cargo, because of this European competition, is it not better to reduce your rates to meet that competition from the European steamers and allow your American shippers a chance in competition with the European shippers, when by reducing your rates you reduce your loss to, say,

\$8,000? You are actually saving at least \$4,000 by carrying the freight at the reduced rates, rather than operating your ship without the freight in question and incurring a loss of \$12,000. That was the position we took with the Shipping Board.

Mr. HARDY. This was a loss incurred by the Government in the operation of its own ships and, of course, had to come out of the Government's pockets; but that is very different from the Government paying a private operator a certain sum to cover his losses, because there is no temptation for a Government agency to exaggerate losses in order to get an unnecessarily large amount from the Government. In other words, if the Government itself is operating ships, while it might be losing money, they are not paying a subsidy to any private individual who would not be content with simply losing money but would want a subsidy in order to recover a profit. It is paying a loss by the Government for its own operation, but it is not paying any subsidy or subvention to any private individual. That is one big difference.

Mr. BRIGGS. As to the practical proposition, has the United States lost anything by not being admitted to this conference?

Mr. ROSSBOTTOM. To the European conference?

Mr. BRIGGS. Yes; if they have been operating here, as you have stated, at such a loss and fixing rates which are so far below their cost of operation that they must be making up the loss from some source, has the United States really been prejudiced by not being admitted to this conference?

Mr. ROSSBOTTOM. I do not think so, because no American ship ever operates from those European destinations to West Coast ports.

Mr. BRIGGS. In other words, just as a practical proposition—of course this provision in this law, as I understand it, makes it unlawful to practice any discrimination against American ships by these conferences, and if they want to be admitted to these conferences and to give rebates, the American ships must be allowed to enter; otherwise we have the right to refuse clearance to foreign ships entering and leaving our ports; but if they operate at a loss, it certainly is not any advantage, under those conditions, for American ships to enter this conference unless they are trying to build up trade routes and undergo a loss as part of the cost of establishing those trade routes.

Mr. ROSSBOTTOM. I do not think there is any direct loss to the United States involved in that; because, in the first place, American ships do not operate from Europe to these destinations, and they would not be allowed to do so. A British shipper would not even think of forwarding his cargo in an American vessel from Europe to the west coast of Central and South America so long as he could forward it by a British conference steamer, and yet those same lines in the European conference come over here and operate in the American traffic to these destinations.

Mr. BRIGGS. I am talking about the present policy of the United States with reference to Shipping Board vessels, which is to try to get cargo not only direct from European ports to the United States by way of imports, but if possible to make a triangular course, if they can, or in any way to make Shipping Board routes pay and to make Shipping Board vessels pay; that is, to go down to South America and then across to Great Britain or to some other European port and to come back to the United States or to take some other triangular

course. And if it was to the advantage of some American ships to build up such a line of course they should be allowed the opportunity on equal conditions with the other side.

Mr. DAVIS. Do I understand you to mean that the British shippers are more loyal to British lines than American shippers are to American lines?

Mr. ROSSBOTTOM. There is no question about that.

Mr. BRIGGS. Is there any reason for that?

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. I wish you would state that reason.

Mr. ROSSBOTTOM. I will tell you what the reason is, and because of it you are going to find some difficulty in the operation of your American merchant marine. There is this reason: The English sailor has two bosses; he is working for two employers; first, his employer who pays his salary or wages and, second, his Government. An English sailor is proud of the fact, as an Englishman, that he is working on an English ship, and he realizes that the very existence of his country depends on the success of its merchant marine; the French is in exactly the same position, and the Spaniard, the Italian, the German, the Dutch, the Norwegian, and the Swede. But here is the situation we have over here in the United States: You take the crews on the American steamers and they are probably 60 per cent aliens. You can not get Americans to go down in the fireroom; you can not get American boys to go into the fireroom or to go on the deck as sailors; they all want to be officers; and there is not the spirit of patriotism and willingness to work among American sailors that there should be. You must cultivate and establish that spirit of patriotism if you are going to be able to compete with these foreign merchant marines.

Mr. BRIGGS. You mean if we are going to build up trade?

Mr. ROSSBOTTOM. If we are going to build up trade in American ships.

Mr. EDMONDS. We thought we had cultivated that, but we find out now we have gone back to where we were.

Mr. HARDY. Isn't there another reason, that the British merchant marine is owned in small shares by a vast number of people and that nearly every British merchant has some shares of stock in some British ship?

Mr. ROSSBOTTOM. I do not know anything about that.

Mr. HARDY. My understanding is their ships are largely owned in that way.

Mr. BRIGGS. Are you familiar with the reports current that the British importers and the importers of other nations require that their imports shall come in ships of that country?

Mr. ROSSBOTTOM. No.

Mr. BRIGGS. It has been generally circulated around here and in the press, and I have heard it from many sources, that that is so.

Mr. ROSSBOTTOM. I assume it is so and I really believe it is so, but I have no knowledge of it.

Mr. BRIGGS. I really believe the Shipping Board men themselves and the Shipping Board operators say that is true, not only of British ships and Italian ships but probably of other ships as well.

Mr. BANKHEAD. How many ships have you now?

Mr. ROSSBOTTOM. We have, all together, 12 steamers and 2 barges, 4 steamers and 2 barges being operated in the coal trade from Norfolk to the Canal Zone.

Now, getting back to my picture.

The opening of the Panama Canal affected the operations of the Panama Railroad and of its steamship line to this extent: The steamship lines operating on the west coast, bringing cargo destined to the United States and to Europe from California, Mexico, Central America, and all the west coast ports of South America, had previously stopped their voyages at Balboa, the Pacific terminal of the Panama Railroad, and also of the Panama Canal, discharged their cargoes there, which they delivered to the Panama Railroad for transfer across the Isthmus, to be turned over to the steamship lines operating from our Atlantic terminal to the United States and to Europe. All these lines also handled cargo in the reverse direction. Not one of the Pacific steamship lines would operate through the Panama Canal to discharge their cargoes at Cristobal, which is the Atlantic terminal of the Panama Railroad, and also of the Panama Canal; and not one of the Atlantic carriers would proceed through the Panama Canal to transship or exchange cargo at our Pacific terminal with the carriers on the Pacific Ocean. Here was the situation that confronted us: On the Pacific side of the Panama Canal there is a tidal range of from 13 to 21 feet, which increases to a considerable degree the cost of loading, discharging, and transshipping cargo, but we had to do it in the old days, because there was no other way of handling it; we had to exchange cargoes with steamers at Balboa notwithstanding this tidal range of 13 to 21 feet and transfer it across the Isthmus for delivery to the carriers on the Atlantic.

On the Atlantic side the tidal movement is usually something like 3 or 4 inches, and never more than 2 feet, depending a great deal on the direction of the wind. The Atlantic lines, as I stated, would not come through the Panama Canal; the Pacific lines would not come through; and there was only one thing for us to do, and that was for the Panama Railroad Steamship Line to act as a ferry for these European and Pacific steamship lines, carrying the cargo through the Panama Canal, until they were convinced they could go through the canal safely. They had an idea at first that the canal was dangerous; that the depth of water was not actually known; they were afraid their ships would be delayed; that they would strike bottom in the cut; and that their entire schedule would be disarranged. So we operated our steamers through the canal. For instance, our steamer leaving New York would stop at the Canal Zone, at Cristobal, discharge cargo there for local delivery, then pick up at Cristobal freight brought to that port by European steamship lines destined to the west coast, carry it through the canal, and make delivery at Balboa to the Pacific carriers, securing from those Pacific carriers the cargo they had on board accepted on the west coast and destined to European carriers and also to our own steamship lines.

We kept up that service for about four months, until finally the European lines and the Pacific lines saw our steamers had not sunk, that nothing had happened to them, and that we were regularly and satisfactorily handling cargo through the canal; they then made this arrangement: All the Pacific steamship lines would come through the canal and discharge at Cristobal, because Cristobal was a better port

at which cargo could be discharged, and the Atlantic lines would stop at Cristobal and not proceed through the canal. That made necessary a rearrangement of the divisions to the Pacific lines, and they secured, in addition to the regular percentage proportion for their haul on the Pacific Ocean the proportion of the rate that previously, for the haul across the Isthmus, had been received by the Panama Railroad; that made the proportion of the Pacific carrier on freight from the west coast to Europe and from Europe to the west coast approximately 59 per cent, because the European lines received 41 per cent; and then on business from the west coast to New York, and vice versa, the Pacific carriers received 66 per cent, because the Atlantic carriers from New York received 34 per cent.

Mr. EDMONDS. How was that agreed to, Mr. Rosbottom?

Mr. ROSSBOTTOM. It is really a question of years. We started in, some 35 years ago, on the basis of each line having an arbitrary. In fact, that was the original plan of operation of the Panama Railroad when it was first opened to commerce. The railroad required an arbitrary; the steamship line on the Atlantic coast required an arbitrary, and the steamship line on the Pacific coast required an arbitrary; then they added the three together to make the total rate. When the transcontinental railroads of the United States started operations that interfered with the monopoly of the Panama Railroad that it previously had. First the carriers via the Panama route reduced the arbitraries and then, finally, they arrived at the stage where they believed that they should try to secure business at the highest obtainable rate and that each should bear its share of the reductions necessary. Then they got down to a division of the rate on a percentage basis to each carrier.

Mr. EDMONDS. Were the Atlantic carriers satisfied with 34 per cent?

Mr. ROSSBOTTOM. They had to be satisfied because they could not secure any higher percentage; for instance, the lines operating on the Atlantic from the United States could not include the Pacific carriers to grant them any larger percentage; and those on the Pacific felt the same way toward the Atlantic carriers.

Mr. EDMONDS. It was a mutual agreement between them?

Mr. ROSSBOTTOM. It was a mutual agreement between them; yes. The operation of the Panama Steamship Line at that time was as follows: We operated our steamship line between New York and the Canal Zone, connecting at Cristobal with the steamship lines operating to west coast ports, and also with Atlantic steamship lines then running from Cristobal down to ports on the east coast of Colombia and Venezuela. For instance, the Spanish Line, the French Line, La Veloce Line, and the Harrison Line, those steamers starting from Europe and reaching the Canal Zone after stopping at one or two ports on the way, then going down the east coast of Colombia to Cartagena and to Puerto Colombia, which is a distance of approximately 400 miles from Colon; they would then go farther down the coast, stopping at Venezuela and at Trinidad, and then returning to Europe.

Mr. EDMONDS. How many American lines were operating on that route from New York?

Mr. ROSSBOTTOM. The only lines operating from New York at that time, as I recollect, were the United Fruit Co. (their steamers having been constructed in England were at that time operating under

British registry); the Royal Mail Steam Packet Co., an English concern; and the Hamburg-American Line Atlas Service, a German line. Those three lines of steamers operated from New York, stopping at Kingston, the Canal Zone, Cartagena, Puerto Colombia, and different ports.

Mr. EDMONDS. That was when?

Mr. ROSSBOTTOM. The Hamburg-American Line discontinued its service from the beginning of the war with Great Britain, which was in 1914.

Mr. EDMONDS. This was before the war?

Mr. ROSSBOTTOM. Yes. They were obliged to discontinue their service because of the presence of English war ships in that vicinity.

Mr. EDMONDS. As you go along, tell us the lines that are operating down there now.

Mr. ROSSBOTTOM. The United Fruit Co., the Dutch Line, and the Caribbean Line, operating Norwegian steamers, are the only ones I recollect at the moment. We had been exchanging cargo with the European lines for these east coast Colombian ports for the past 25 years. We have been operating our steamship line alone since 1894. We also connected at Cristobal with the Pacific Steam Navigation Co., running on the west coast down to Colombia, Chile, and Peru, and also a service along the Central American coast, in competition with the Pacific Mail Steamship Co.; with the Chilean Line, on the west coast down as far as Chile; with the Peruvian Line, operating as far south as Peruvian ports; with the Colombian Maritime Co., that was operating to Colombian ports; and with the Pacific Mail Steamship Co., that has been operating on the west coast of Central America and Mexico, and up as far as San Francisco for many years.

Our steamship line depends, in a great measure, upon handling the shipments of the Panama Canal. We carry the employees of the Canal, and their families, at rates of \$20 and \$30 instead of our tariff rate of \$100, for a haul of 2,000 miles, because that is the rate which the Government decided to charge its employees when the construction of the Canal first started; and we carry officers and employees of the Army and Navy, and their families at the \$30 rate. We are supposed to carry Government freight at as near cost as we can ascertain it, and when we establish our tariffs on any commodity between New York and the Canal Zone, we make a reduction of 25 per cent from that tariff in favor of Government shipments; so that everything carried on the steamship line for the Government is charged for at reduced rates.

If the steamship line operates solely for Government freight, we would have to increase our charges to the Government, because we would operate at a very heavy deficit. That might not be so bad, because the Government would pay the bill one way or the other; the real difficulty is that the Government has no freight coming back from the Canal Zone. We would operate our steamers fairly well loaded from New York south to the Canal Zone, but they must be operated in ballast coming back, and that is not possible with the type of steamers we have. To remedy that situation, it has been the effort of the officers of the company, for the past 25 years, to develop a transshipment trade from Central America, from Mexico, and from Chile, Peru, Colombia, and Ecuador, that is brought by these various steamship lines to Cristobal, and we depend upon that traffic for our

revenue. Had we not that traffic, we would operate at such a heavy deficit that Congress would not allow us to operate.

The opening of the Panama Canal, of course, interfered with the transshipment business to a considerable extent, and we figured it would. There was an increase in the number of steamers carrying direct cargoes to West Coast ports. Those steamers, previous to the opening of the Canal, would go down the east coast, around through the Straits of Magellan and up on the west coast. The opening of the Canal naturally increased the development of traffic by direct steamers. That was a situation we had to face and we could not complain; but it was not such a bad situation as at first appeared, because the ports on the west coast are all small ports; with the exception of probably two or three they are all open roadsteads. I think on the west coast, south of Panama, there are only two ports that have piers; all the rest of them are open roadsteads. The steamers anchor out in the roadstead, with more or less of a swell running, and the cargo has to be lightered from the ship to the shore and from the shore to the ship; very few of those ports, under existing conditions, are able to give the direct steamer a sufficient quantity of cargo to warrant that direct steamer stopping at that port for it. The result of that is practically a retail business on the west coast south of Panama, except, as I stated, in one or two ports, where large shipments of nitrates, copper, and commodities of that kind are to be obtained. These steamers operating on the west coast start from Valparaiso, which is the farthest port south in Chile, as far as our traffic is concerned, and leave Valparaiso pretty well loaded, destined for Panama. They have cargo on board for every port between Valparaiso and Panama. They stop at the first port, and they will discharge probably 60 or 70 tons at that port, but they will take on board at that port probably 30 or 40 tons of cargo destined to New York or cargo destined to Europe, and then proceed to the second port; that same situation continues all the way up to Panama, so that by the time the steamer, which has left Valparaiso with a full cargo for west coast ports all the way up to Panama, by the time she arrives at Panama, where she has to discharge her entire cargo, she has on board anywhere from a half to a full cargo of merchandise destined to Europe or destined to the United States, which those lines turn over to us at Cristobal, as far as the New York traffic is concerned, and turn over to the European lines as far as the European traffic is concerned.

The situation on the west coast, north of Panama, does not work out that way; it works in the contrary direction. The steamers leave San Francisco pretty well loaded for Central American ports and when they get down to Panama they have very little freight, except possibly during the coffee season; then they start from Panama and go back with the freight our steamship line has delivered to them, and which the European lines have delivered to them for Central American and Mexican ports and San Francisco, and pick up cargo on the northward voyage all the way until they reach San Francisco, when they are pretty well filled up.

We had all these connections, but south of Panama our steamship line was dependent, in a great measure, upon the traffic from Colombia and Ecuador—that is, on the west coast, say, from Guayaquil, Bahia, Buenaventura, Tumaco, Esmeraldas, and the different

ports—destined to New York, because it was good paying traffic and was practically noncompetitive. I would like to explain what I mean by noncompetitive. The rates from New York, say, to lower Chilean ports, such as Valparaiso, and in the contrary direction must be fixed on the basis of the competing steamship line rates, the steamers that go through the Straits of Magellan and through the Panama Canal; but the business from Colombia and Ecuador, which is a sort of retail business, is not important enough for the direct steamship lines to stop there, and there are only about two ports where the direct steamship lines do stop, and the result is the rates are higher from Colombia and Ecuador to United States and European ports, and vice versa, than they are from Chile and Peru, although the distance from Chile and Peru is very much in excess of the distance from Colombia and Ecuador.

That traffic has been brought to us for many years by the steamers of the Pacific Steam Navigation Co. The Pacific Steam Navigation Co. and the Royal Steam Packet Co. are one and the same corporation. The Royal Mail Steam Packet Co. is the principal and it formerly operated on the Atlantic Ocean. It then secured stock control of the Pacific Steam Navigation Co., which operated on the west coast, and it is all one and the same company now.

The Pacific Steam Navigation Co., as I stated, brought those Colombian and Ecuadorian shipments to us at Cristobal and we brought them to New York. That was the best paying business we handled. There was more money in the Colombian and Ecuadorian business than in any other cargo we handled. Here is an illustration. The rates from Chilean ports and from Peruvian ports would be on the basis, say, of \$15 a ton, because of the competition of the direct lines. The rates from Colombian and Ecuadorian ports on exactly the same commodity would be on the basis of \$20 and \$30 a ton.

Then, the Royal Mail Steam Packet Co. started a direct service from New York, stopping at the Canal Zone, proceeding through the canal and going down the west coast.

Mr. HARDY. Stopping at Buenaventura?

Mr. ROSSBOROM. No; not stopping at Buenaventura. The Pacific Steam Navigation Co. was the one that operated between Panama and Buenaventura and down as far as Guayaquil, and that cargo that the Pacific steamers secured was always delivered to our steamship line, if destined to New York. But when the Royal Mail started a direct service, to run down as far as Valparaiso, then the Pacific Steam Navigation Co. immediately discontinued giving us that good-paying freight. They made changes in their bills of lading, disregarded the wishes of the shippers, operated in a high-handed fashion as far as the shippers' wishes were concerned, and turned every pound of that cargo over to the Royal Mail Steam Packet Co. steamers that stopped at Cristobal.

There were two things for us to do. One was to sit idly by and lose all this traffic and say, "We can not do anything with it; it is American traffic and we might as well let the Royal Mail and the Pacific Steam Navigation steamers handle it, because we can not get it." The other thing was to make a fight for it, and the only way to make a fight for it was by operating one or two of our own steamers through the Panama Canal on the west coast down as far as Guayaquil.

Mr. EDMONDS. This is up to date you are talking about now?

Mr. ROSSBOTTOM. This is up to date; yes, sir. We discussed the question with our board of directors as to whether we should let this important traffic go by and result in the steamship line operating at a heavy deficit, or whether we should make a fight for this traffic, which was American traffic, and which these English lines had taken away from us; and we decided to go after it and try to get it.

We started in, I should judge, about a year or a year and a half ago, operating one steamer a month. After discharging at the Canal Zone, she would operate through the Panama Canal and stop at all those west coast ports down as far as Guayaquil. We did not go any further than Guayaquil, because there was no reason why we should go into the business of Peru and Chile. In the first place, that transshipment traffic was being tendered to us by our two co-carriers in that traffic who were actively engaged in developing traffic with the United States. In the second place, the Shipping Board operated steamers direct to those Peruvian and Chilean ports, and we did not want to get into a row with the Shipping Board; there was no reason why we should get into a fight simply to have a fight. It does not pay. And so we operated only as far as Guayaquil.

Mr. EDMONDS. Don't you think you had better give us the different lines operating in that traffic to-day?

Mr. ROSSBOTTOM. Yes; I think I can give you the lines now operating.

Mr. EDMONDS. As far as the canal on this side, and then on the other side, going through the canal.

Mr. ROSSBOTTOM. Direct steamers operating from New York to the west coast ports are W. R. Grace & Co.; the Royal Mail Steam Packet Co, or the Pacific Steam Navigation Co.—

Mr. BRIGGS. W. R. Grace & Co. are an American concern?

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. I wish you would indicate which are American and which are foreign, as you name them.

Mr. ROSSBOTTOM. W. R. Grace & Co., is an American line; Royal Mail Steam Packet Co. and Pacific Steam Navigation Co., English; Wessel, Duval & Co., an American corporation; the Chilean Line, operating under the flag of Chile, and the New York & South American Line, a Steel Corporation line, which is an American line.

Mr. BRIGGS. Is that a Shipping Board line?

Mr. ROSSBOTTOM. The New York & South American?

Mr. BRIGGS. Yes.

Mr. ROSSBOTTOM. No; it is not. That is the only line that has refused to attend Shipping Board conferences, or to have anything to do with them. After they had attended several of such conferences and saw how the rates were being cut and slashed and how everybody was disclaiming having anything to do with it, they thought they had fooled with it long enough and got out; for which they are entitled to credit instead of blame.

Mr. EDMONDS. Is not Schwab operating a nitrate line, or some of the Du Pont people?

Mr. ROSSBOTTOM. No; not that I know of.

Mr. EDMONDS. There is one operating down there, isn't there?

Mr. ROSSBOTTOM. No; not that I know of. It does not operate from New York. All these lines operate from New York. And then

there is one other so-called American line known as the Caribbean Steamship Co. It operates Norwegian steamers from New York to ports as far south as Guayaquil, and also in the Caribbean.

Mr. DAVIS. How about the United Fruit Co.?

Mr. ROSSBOTTOM. They do not go through the canal. Then the transshipment lines operating on the west coast, from Cristobal, are the Pacific Steam Navigation Co., an English line; the Chilean Line, which is the national line of Chile; the Colombian Maritime Co., which operates one American steamer of about 600 tons capacity, which runs down to Buenaventura—it is really a shipper's line; the shippers own the steamer—and the Peruvian Steamship Line.

Mr. DAVIS. And the Pacific Mail?

Mr. ROSSBOTTOM. The Pacific Mail does not run south; they run north. Those are the only lines I recollect that regularly operate through the canal in the transshipment business and direct business to the west coast.

Mr. EDMONDS. Then the European lines.

Mr. ROSSBOTTOM. Of course, they are operating direct from Europe. As I recollect them, they are the Royal Mail Steam Packet Co., the Pacific Steam Navigation Co., the Dutch Line, the Italian Line—

Mr. EDMONDS. Are those steamers going through the canal or transshipping?

Mr. ROSSBOTTOM. Both. Some of them operate through the canal and some of them transship; sometimes they do one thing and sometimes they do the other. The European lines are the Royal Mail Steam Packet Co., the Pacific Steam Navigation Co., the La Veloce Navigazione Italiana, which is an Italian line; the Compania Transatlantica de Barcelona, which is a Spanish line; the Leyland Line; the Harrison Line; the Royal Dutch Line, and the Compagnie Generale Transatlantique.

Mr. BRIGGS. English lines?

Mr. ROSSBOTTOM. Four are English lines. Those are all I can recollect.

Mr. EDMONDS. Now, your transshipment steamers from New York. That is the Ward Line, to some extent?

Mr. ROSSBOTTOM. No. The steamers that operate from the United States and transship at Cristobal are the Panama Railroad Steamship Line, the United Fruit Co., and the Pacific Steam Navigation Co.; that is all.

Mr. EDMONDS. Are any of these coast-to-coast steamers carrying transshipment freight?

Mr. ROSSBOTTOM. No. It does not pay to break bulk freight at the Canal Zone.

Mr. EDMONDS. The Nawsco and a lot of those lines from Baltimore that run around to San Francisco?

Mr. ROSSBOTTOM. No. It does not pay to break bulk freight at the Canal Zone, and so they proceed right through the canal. It would cost more to handle it than they get out of it.

Mr. EDMONDS. They do in passengers?

Mr. ROSSBOTTOM. They do in passengers, but they do not with freight.

Mr. SCOTT. Does the Munson Line go down there?

Mr. ROSSBOTTOM. No.

Mr. EDMONDS. The United Fruit does?

Mr. ROSSBOTTOM. Yes.

Mr. DAVIS. Those three steamship lines that operate from New York, are they all American companies?

Mr. ROSSBOTTOM. The Panama Railroad Steamship Co. is American, Pacific Steam Navigation Co. English, and the United Fruit Co. is an American corporation that operates both American and English steamers.

Mr. EDMONDS. The majority of their boats are American now, unless they have changed back.

Mr. ROSSBOTTOM. No; they have not changed back, but they still have some that have not been changed over to the American flag.

Mr. DAVIS. Right in that connection, take the Pacific Steam Navigation Co., the one you mentioned as operating from New York, the English company. Is it in that cut-rate agreement? Is it operating any vessels from European ports on that cut-rate basis?

Mr. ROSSBOTTOM. It is operating; it is one of the principal carriers from Europe to the west coast, either under the title of the Pacific Steam Navigation Co. or the Royal Mail Steam Packet Co.

Mr. DAVIS. It is one company, then, that could be kept out of our American ports under that Jones Act, is it not?

Mr. HARDY. No; not unless they refused to permit our ships to join the conference.

Mr. DAVIS. That has reference to that subsection—

Mr. HARDY. No; the original bill did not exclude any ships for giving deferred rebates between foreign ports. They make their cut by making the deferred rebates applicable from Europe to South American ports. We had nothing to do with that under the original bill; but under the Jones Act we made the provision we would not give them a clearance certificate if they made those cuts between foreign ports and refused to give American boats the right to enter that conference.

Mr. DAVIS. And your opinion is they can always avoid the penalty under that provision by agreeing to permit American companies to come into their conference?

Mr. ROSSBOTTOM. Oh, certainly; because they would be agreeing to something that would not mean anything.

Mr. DAVIS. And you furthermore believe it would be no advantage to the American companies to go into their conference, because they really have no business there?

Mr. ROSSBOTTOM. That is it, exactly.

Mr. DAVIS. In other words, it is an ineffective, harmless provision in actual operation?

Mr. ROSSBOTTOM. Yes, sir.

Mr. BRIGGS. You stated you did not know who absorbed this loss brought about by the rebates and reduced rates, which were really lower than the operating costs?

Mr. ROSSBOTTOM. No. Here is an example we had: The Pacific Steam Navigation Co. started these foreign steamers from Southampton; they bring them over to New York. Now, in those steamers they would have to load cargo from European merchants destined to merchants in Central America and South America, on the west coast, at rates, say, that would approximate \$12 a ton. Those same steamers would load at New York similar cargo from New York shippers destined to merchants at the same ports on the west coast at rates

that would range from \$15 to \$25 a ton. The same steamer that would have freight at \$12 a ton from Europe to the west coast would come over and load freight at New York at \$15 to \$25 a ton and then proceed through the Panama Canal to destination. That condition does not exist to-day, because the Royal Mail does not operate steamers from Southampton to New York and then from New York to the west coast; they operate only from New York, because there is enough business to pay them to operate from New York. But in the beginning of their business they were only partly filled when they left Europe, and they took the same commodities from American shippers at higher rates.

Mr. EDMONDS. They operate a direct line now from London through the canal?

Mr. ROSSBOTTOM. They operate a direct line through the canal from Southampton.

Mr. EDMONDS. In other words, in making a discrimination in rates they come under this section of the act, because they would be virtually giving rebates on the direct line, and on the New York line not giving rebates. That is exactly what happened in the West Indian conference. The papers in the West Indian conference were brought before our committee by me, and we sent them to the Shipping Board, and through Mr. Dean the matter was taken up, and they have abolished it.

Mr. ROSSBOTTOM. That is the reason, perhaps, they do not now operate from Europe via New York.

Mr. EDMONDS. They do not operate that way because they do not want to get into any complication in New York. They dare not give rebates in New York. I wish you would insert in the record, when your statement is sent you, the number of ships operated by each company and the approximate tonnage.

Mr. ROSSBOTTOM. I will try and do that.

Mr. EDMONDS. Are there any indications that the Colombian people are going to take advantage of the new treaty?

Mr. ROSSBOTTOM. I think they are.

Mr. EDMONDS. That is going to allow their coastwise traffic to go through the canal without charge?

Mr. ROSSBOTTOM. I understand so.

Mr. EDMONDS. What would happen if they were to bring their freight, we will say, from Buenaventura around to Cartagena through the canal, without any charge in the canal, and then transship at Cartagena to Europe?

Mr. ROSSBOTTOM. This would be about the only effect I could see: As far as we are concerned, the only steamship line that now operates a steamer of American registry from Buenaventura to Cartagena would immediately be changed from American registry to Colombian registry, so as to get the advantage of the canal tolls.

Mr. EDMONDS. Would the treaty allow them to do that thing; would the treaty allow them to ship through the canal and bring their freight to Cartagena and transship on the east coast?

Mr. ROSSBOTTOM. This Colombian Maritime Co. does transship now. They have the one 600-ton steamer that now comes through the Panama Canal and pays tolls, and the tolls on a 600-ton steamer do not amount to so very much.

Mr. EDMONDS. What would prevent me from going down there with a 3,000-ton ship, going up on the west coast and around to Cartagena, and when I got there to transship and take the freight over to Europe?

Mr. ROSSBOTTOM. I do not think there would be anything to stop you. The only thing is whether the Panama Canal authorities would treat that as traffic on which they should not charge any tolls.

Mr. EDMONDS. You are not charging tolls.

Mr. DAVIS. You think they would treat that as a subterfuge?

Mr. ROSSBOTTOM. Oh, yes.

Mr. EDMONDS. The way I read the treaty is that anyone who wants to have a cinch on the Colombian trade wants to go down there and start a couple of steamers doing that and he can corral the whole business.

Mr. HARDY. The treaty does not allow them to bring their freight through as Colombian freight?

Mr. EDMONDS. No; but they could on all except the Colombian freight, pay \$1.25 a ton, and the Colombian freight would go through the canal free, and when they get to Cartagena, they could have the operator reconsign it and take it over to Europe and save \$3,000 on every voyage.

Mr. DAVIS. Would not that handling be costly?

Mr. EDMONDS. There would be no handling. There is nothing to prevent that.

Mr. HARDY. You are basing that on the idea he is going to divert it.

Mr. EDMONDS. He is going to divert it, which is perfectly within his rights.

Mr. HARDY. But not shipping stuff from other places?

Mr. EDMONDS. Surely; he takes all the freight at Colombia, on the west coast, loads it on his steamer and consigns it to Cartagena, takes it through the canal absolutely free, and when he gets to Cartagena he consigns the freight to Europe. Is there any charge for transshipping made at Cristobal?

Mr. ROSSBOTTOM. Oh, yes.

Mr. EDMONDS. You get a regular transshipping charge?

Mr. ROSSBOTTOM. We get a regular transshipping charge.

Mr. EDMONDS. There is no favoritism on that?

Mr. ROSSBOTTOM. No; everybody pays exactly the same. It is included in the Panama Canal tariff.

Mr. EDMONDS. Is it a separate tariff from the regular tariff; do they pay the regular tolls and then pay the transshipping charge extra?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. The service is not given free?

Mr. ROSSBOTTOM. It is not given to anybody free. There is only one difference; in the transshipment of cargo at Colon, where there is only one handling involved, the transshipping charge on that is approximately \$1. The transshipping charge on freight delivered from one steamer to another, which requires two handlings, the tariff on that, I think, is \$1.80 a ton. But everybody pays exactly the same rate; every transshipment steamer pays \$1.80 and every local steamer pays \$1.

Mr. EDMONDS. And any of this Colombian stuff that is transhipped, they have to pay the transshipping charge?

Mr. ROSSBOTTOM. They would have to pay the transshipping charge. Now, getting back to our Guayaquil service. We decided to extend the operation of our steamers to as far south as Guayaquil, as I stated a few moments ago. The service in the beginning was rather unsatisfactory. Shippers on the West Coast had so long been used to the domination of the Pacific Steam Navigation Co. that they could not realize an American corporation could gain a foothold, and they were afraid to ship over our line on the first voyage for fear we had just sent the steamer down there as a sort of threat to the Pacific Steam Navigation Co., and then we would make up with them and the Pacific Steam Navigation Co. would go back and gouge them. That, unfortunately, with the shippers on the Pacific coast, has apparently been the practice of the Pacific Steam Navigation Co., as far as the traffic of Ecuador and Colombia is concerned. They have raised their rates, without notice, 25 to 40 per cent. Then when competition would come in they would reduce the rates 50 to 75 per cent, and then they would boost them up when competition ceased. After our first steamer the service proved rather satisfactory. We only operate down there about once a month, and at times when there is not considerable cargo offering we pick up the cargo at the West Coast ports, come through the Canal to Cristobal, transship to our steamers that operate between Cristobal and New York, and then send the same steamer back to the West Coast ports to pick up another load. We are obliged to do that, because the Pacific Steam Navigation Co. does the same thing and, if we did not do it, we would lose the traffic to them.

We need that traffic from a transshipment point of view and also from a direct shipment point of view. The only competitors we have in our trade to the West Coast are the Pacific Steam Navigation Co.; the Caribbean Steamship Co., which operates through the Canal once in a while to those ports, probably once a month—an American concern operating Norwegian steamers—and then the Colombian Maritime Co., which operates one American steamer from Buenaventura to Cristobal. We are really not in competition with that steamer, because that steamer is delivering her cargo to us at Cristobal, so that there is practically no competition. That is the one extension of our service and the only extension of our service on the West Coast.

As far as the east coast is concerned——

Mr. BRIGGS. Has that service been profitable, or not?

Mr. ROSSBOTTOM. Yes; it has been profitable.

Mr. EDMONDS. You do not want to extend it north?

Mr. ROSSBOTTOM. No; we have connections north with the Pacific Mail Steamship Co., and it would be foolish for us to compete with the Pacific Mail simply to be competing.

Mr. BRIGGS. Is there business enough for all? Is the Pacific Navigation Co. remaining in business as well in operating from Colombia?

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. Have they found sufficient business?

Mr. ROSSBOTTOM. No; they have not. We are competing with the Pacific Steam Navigation Co. In ordinary times there would be enough business for all lines to operate profitably; but of course during these depressed times, when Ecuadorian exchange is about three and a half times what it ought to be, and when coffee is worth in New York 9 cents as against 22 or 23 cents ordinarily, the Ecu-

dorians and the Colombians can not sell anything here, and can not buy anything here. This has naturally reduced the amount of traffic being carried to a considerable degree.

Mr. EDMONDS. How did you cut them out, by reducing the freight rates?

Mr. ROSSBOTTOM. No; it is just a question of service.

Mr. BRIGGS. The rates are the same?

Mr. ROSSBOTTOM. The rates are the same.

Mr. EDMONDS. Do you know of any particular subsidies or subventions given by the South American Governments to any of these lines?

Mr. ROSSBOTTOM. No; I have no direct knowledge. I do know that the Peruvian Line, that operates to Cristobal and operates to Peruvian ports, is controlled by the Peruvian Government, and presume it receives some assistance from that Government.

Mr. EDMONDS. That is a national line. I mean have they any particular arrangement with the steamship companies as to paying so much for making a voyage, or paying a subsidy or subvention?

Mr. ROSSBOTTOM. Yes; every one of those Governments on the West Coast give the steamship line a subvention for calling there and giving service. The Ecuadorian Government told us, because of operating a service down as far as Guayaquil, they would relieve us of certain port charges they had previously assessed against us. They were well satisfied to have us call there because they were dissatisfied with the service of the Pacific Steam Navigation Co., and they told us if we would maintain a regular service they would give us a subsidy for carrying the mail. But we have not operated with sufficient regularity to warrant our going into that.

Mr. EDMONDS. Do you carry passengers?

Mr. ROSSBOTTOM. A few passengers; not many. We operate one freight ship and one passenger ship, carrying 40 or 45 passengers.

Mr. BRIGGS. Why is it you transship the cargo at Cristobal; why don't you take the through shipment right on to New York? Is it on account of the draft of the vessels, or what?

Mr. ROSSBOTTOM. Steamers on the Pacific coast are different from steamers on the Atlantic coast. The coasting steamers of the Pacific Steam Navigation Co., the steamers of the Peruvian Line, and also the steamers of the Chilean Line are built for the west coast trade. They have their deck houses close up to the bow, like river steamboats, and if they ever got into a gale off Hatteras in the Atlantic they would be all shot to pieces and could not stand the weather. The houses are all on the upper deck, because of the fact they operate through the calm waters of the Pacific, and they could not stand a north of Hatteras gale. If those lines intended to operate through the Panama Canal up to New York or through to Europe, they could not use the same steamers they now employ.

Mr. BRIGGS. I was wondering why they transshipped the cargo when it so greatly increased the cost of operation.

Mr. EDMONDS. Is not the fact that they gather up the cargo from a number of different places for a number of different lines also a reason?

Mr. ROSSBOTTOM. That is also a reason.

Mr. BRIGGS. I thought the shallowness of the harbor might affect the situation?

Mr. ROSSBOTTOM. No; there is only one port on the Pacific coast, and that is Tumaco, that gives any trouble on that account; they have only 19 feet of water. The other ports are deep-water ports.

Mr. BRIGGS. What cargoes do you handle mostly?

Mr. ROSSBOTTOM. Coffee, cocoa, hides, platinum, some little wool, rubber, ivory nuts, and similar produce. Those nuts are used for making buttons.

During canal construction days our facilities were taxed in carrying cement to the Panama Canal, material and supplies, and also employees, and, because of being owned by the Government, we had to give preference to Panama Canal shipments. If we booked our steamer, for instance, and had a full cargo for her and a Panama Canal shipment came along at the last minute, we would shut out the commercial cargo and take care of the Panama Canal cargo, because all efforts in those days were devoted to the construction of the Panama Canal. Of course, some of our shippers came to us about it, but we were able to explain it to their satisfaction and they were willing to put up with it as a situation that could not be avoided. During that time we received a communication, through the Secretary of War, from the Secretary of State, in which it was requested that the Panama Railroad Steamship Line be instructed to divert its steamers to Haiti. Now, Haiti is about 1,300 miles south of New York, and it is within 90 miles of the regular route of our steamers operating between New York and the Canal Zone. The Secretary of State explained that the traffic between the United States and Haiti was controlled by the Royal Mail Steam Packet Co., the Royal Dutch Line, and the Atlas Service of the Hamburg-American Line; that these same companies, together with the French Line, operated steamers between Europe and Haiti, and that they required shippers from the United States to forward their goods by these three lines by reason of this rebate understanding, which resulted, if the shipper availed himself of the steamer of any other line that happened to stop at a Haitian port to forward his cargo, in losing the rebate at the end of the season on all cargo forwarded on any of those three lines. The Secretary of State also called attention to the fact that the mail communication between the United States and Haiti was very irregular, because those lines gave the preference to other business, and that American traffic suffered to a considerable extent, and urged that the Secretary of War arrange for our company to operate its steamers to Haitian ports.

At that time it was a physical impossibility for us to divert any of our steamers to Haiti, even though they passed right by Haiti, which is in plain sight for a day on the south and north bound trip, because the full capacity of our steamers was necessary to take care of the cement, material, and supplies, and employees engaged in the construction of the Panama Canal. The question was taken up with the board of directors, and we submitted a report to the Secretary of War, in which the board regretted its inability to comply with the request of the Secretary of State at that time, because of the reasons which they gave.

Nothing more was heard from Haiti until the beginning of the European War, and then the Secretary of State again called attention to the fact that the situation, as far as American commerce with Haiti was concerned, was even worse than when he had written three years before; that the Atlas Service of the Hamburg-American Line had

been discontinued as a result of the War; the Royal Mail called there only infrequently; the Royal Dutch calling there when it suited their convenience; that they were devoting their principal efforts to the development of traffic between the United States and the Dutch West Indies, stopping only at Haitian ports when they found they had space on the steamers for cargo; that there was a tramp line of steamers of foreign registry, operated occasionally by a commission house in New York by the name of Rafael & Co.; that there had not been a steamship departure from the United States or Haiti for six weeks, and no mail communication of any kind; and requested that the Panama Steamship Line extend its service to Haiti without delay.

At that time the canal had been constructed, we were over the rush; we took up the question with the board of directors, and we were authorized to stop our steamers at Haitian ports once a month to give mail service. We started in at first operating to a port called St. Marc. That was an open roadstead. There was considerable German influence in Haiti at that time. Our cargo was handled improperly, and we could not deliver cargo satisfactorily to the consignees; neither could we go to Port au Prince, which was the principal port of Haiti, because the wharfage concession there was owned by German interests, and they gave preference to the Dutch interests. Every obstacle seemed to be put in our way as far as Port au Prince was concerned; but finally we had to go to Port au Prince, and just about that time the State Department and the Marine Corps had "cleaned up" the German influence, so that the port facilities were being operated by American concerns.

We first stopped one steamer a month on the outward trip and then homeward trip. For the first six months we lost considerable money, because our steamers were delayed in handling the 200 or 300 tons which they got. But after that we commenced to develop a big business with Haiti, and we made money. Haiti had not been able to forward any of its coffee or cocoa or cotton for two years, except in limited quantities, and it had the accumulation of two years down there. Now, the trade of Haiti naturally belongs to Europe. Haiti is in a rather peculiar situation. They want to buy in the United States, and they are afraid of the German influence and the English influence. They have experienced just what it means. They want to buy in the United States, but the United States won't buy from them what they can produce down there.

For instance, everything grows in Haiti because God Almighty lets it grow; nobody cultivates anything. Cotton grows wild, coffee grows wild, and cocoa grows wild. I have been given to understand that there has not been a coffee tree planted in Haiti since the French left there six or eight years ago. The French consider the Haitian coffee the very best coffee grown in the world. It is shipped from Haiti to France and then passes through several processes and comes back to the United States as Arabian coffee, and the people here pay a dollar a pound for it as Arabian coffee. You can not get the people of the United States to drink Haitian coffee; you can not get the mills of the United States to use Haitian cotton. The long staple is mixed in with the short staple; it is not separated; one grade is mixed in with another. There is no separation of the cocoa, and the people here won't buy the cocoa from Haiti; but they will buy it in France and they will buy it in England.

Mr. DAVIS. And perhaps it is the Haitian cocoa shipped to France and England that we buy?

Mr. ROSSBOTTOM. I do not know about the cocoa; I do know about coffee. I know that considerable of the Arabian coffee that you buy in the United States is grown in Haiti; is shipped from Haiti to France, goes through several processes there, and is shipped back here labeled as Arabian coffee.

Haiti wants to buy from the United States. She establishes debit balances here. But we won't buy her products. So she sells her products over in France, Germany, England, and Holland and establishes large credit balances over there. The development of Haitian trade is really a question of seapping—and that is really what commerce is—swapping; I swap my manufactured goods for your raw products. The result is that Hayti has a big debit balance in the United States and big credit balances over in Europe.

The European steamship lines do not like this idea of Haitian traffic being developed with the United States, because they consider it strictly European traffic although Haiti is only four days distant from New York, and the minute we started in to develop American traffic with Haiti, then immediately the European lines started increasing their sailings from Europe to Haiti. They increased them on the Royal Mail Steam Packet Co., the French Line, the Spanish Line, and the Royal Dutch Line; and we had also to compete with the several lines from New York—the Royal Dutch Line, which is the Holland Line, and occasionally with this Raporel Line, which is a firm of commission merchants operating foreign steamers between New York and Haiti. Of course, being in the commission business, they naturally were expected to give preference to their own shipments; and the merchants who competed with them would not forward by that line, so that naturally they took this American traffic and turned it over to the Royal Dutch Line.

When we got in there, the Raporel outfit had not operated a steamer for six or seven weeks; the Royal Dutch was taking care of the Dutch West Indies business, and the Haitians started in giving us the traffic.

Mr. EDMONDS. Is that all the lines running there now?

Mr. ROSSBOTTOM. That is all.

Mr. EDMONDS. Does not the Ward Line run there?

Mr. ROSSBOTTOM. No; the Clyde Line. Probably nothing else would have happened—the Raporel outfit did not stand a chance at all with the Royal Dutch Line, and did not stand any chance when we were operating there—but the Raporel outfit—this is rumor I heard among the shipping interests in New York, and I think there is a whole lot in it—were operating foreign steamers between New York and Haiti, when the Shipping Board adopted the practice of assigning steamers for operation to everybody who made application for that privilege; they applied to the Shipping Board; some steamers were assigned to the Raporel outfit for operation.

There was some mix up between the Shipping Board and the Raporel people as to the return of funds from the operation of those Shipping Board steamers. I do not know what the mix up was; I never did learn the details of it; but as a result of that mix up the Clyde Line is reputed to have come down here to Washington and settled up the very heavy indebtedness of the Raporel outfit and the Raporel outfit then turned over their "good will" and whatever else

they had to the Clyde Line. Now the minute the Clyde Line purchased control of the Raporel outfit, their general manager called up our vice president, informed him they had taken over the Raporel outfit, that the Clyde Line was now going to operate in the Haitian trade, and suggested that we ought to get out of Haiti.

Because of the loss of traffic from the competition of the direct steamers through the Panama Canal, we needed this Haitian traffic. We had developed it; we had developed not only the traffic to New York but to Europe. We brought three-quarters of the European coffee traffic from Haiti to New York for transshipment to Europe, and among the lines that operated out of New York destined to Europe we gave preference to Shipping Board steamers. We competed with the foreign lines for the Haitian traffic; the first season we got away with it; after that we did not do so well—after they woke up to the fact that the European traffic was coming via New York and we were bringing it here, then they got busy and began to take it away from us. We are bringing now about 40 per cent of it.

From that time on the newspapers have been filled with well-designed propaganda trying to impress Congress and the people of the United States with the idea that the Panama Steamship Line is a most terrifying and high handed concern; that we intend to operate all over the world; that our purpose is to compete with every other American steamship line, and that is the duty of every other American steamship line to get busy and to tie up; because, if we are not tied up, and we start in on the policy on which we have decided, the whole American merchant marine will be put out of business, and all American traffic will be turned over to foreign lines.

Here is an example of it—of just how that propaganda is worked. There was a considerable movement of coffee from Central America to New Orleans. That was brought to Cristobal by the Pacific Mail Line and one or two of the tramp steamers that operate once in a while from Central America through the Panama Canal to Cristobal. The Army Transport Service had one or two transports operating between New Orleans and Cristobal. We asked the United Fruit people to receive the coffee from us, but they would not do it because their steamers were filled up with bananas and other commodities from east coast Central American ports and I presume they did not think the traffic amounted to very much. And so we turned it over to the Army Transport Service after considerable negotiation. Had we not done that, there was only one other way we could get rid of it, and that was to turn it over to the Leyland & Harrison Line, which is an English concern that operates from Great Britain to the Canal Zone and then up to New Orleans to load with cotton for Southampton. We did not want to turn it over to the Leyland & Harrison Line if we could help it because it was American traffic, and so we finally induced the Army Transport Service to handle it, because the Fruit Co. would not do so.

Later the Army decided to discontinue the service to New Orleans and the same question came up again; so we went to the United Fruit Co. and asked them to handle that traffic. They said they would not do it; that they had their banana shipments to New Orleans and other cargo, and could not be bothered with it. Then we tried to bluff; we said "This traffic can only be handled by you or the Leyland Line; we are not going to deliver it to the Leyland Line, we want you to handle it; but if you won't handle it, we will

send one of our own steamers to New Orleans and handle it ourselves. We do not want to do that, but if you won't handle it we will." Then they looked into the question and found that the traffic amounted to about 2,500 tons in one month; when they found that out and realized that the Army Transport Service was to be discontinued, they told us they would handle it—and they did. We immediately turned that traffic over to the United Fruit Co; we have not gone into New Orleans; and we have not the slightest intention of going into New Orleans.

Mr. EDMONDS. They are plying between New Orleans and the canal?

Mr. ROSSBOTTOM. They are plying between New Orleans and the canal. Notwithstanding that fact, the Journal of Commerce, the New York Tribune, the New York Times, the Marine Journal, and the Nautical Gazette came out with big articles to the effect that the Panama Railroad Co. was seizing another chance to extend its service; it was going to compete with the United Fruit Co.; it was going to operate a regular line of steamers between the Panama Canal and New Orleans; here was trade that ought to be handled by the regular American lines of steamers, and that something ought to be done about it. And about the only reply we could make was that we never intended to go into New Orleans; and that we had not gone into New Orleans.

Mr. DAVIS. Right in that connection, from the standpoint of the people, would it not be a mighty good thing if the United Fruit Co. had a little competition? If that should come about, the people of this country might get bananas at a reasonable rate, like they did before the United Fruit Co. acquired a monopoly of the business.

Mr. ROSSBOTTOM. I do know the United Fruit Co. is in an exceptionally good position. You see, the hard work for a steamship operator is to get cargo both ways. If he gets cargo both ways, he is doing well; but if he comes back one way in ballast, or with a half load, then his troubles begin. The fortunate steamship operator is the fellow who has fairly full cargoes outward and fairly full cargoes homeward. Now, the United Fruit Co. can secure fairly good cargoes outward and they can secure full cargoes homeward of their bananas. If they did not have their bananas—

Mr. EDMONDS. Personally, I am rather proud of the United Fruit Co., because there is one thing certain, and that is that the price of bananas has increased less than any other commodity we have had in this country. And I really think they have performed a great public service in a great many different ways both to the countries we deal with and to this country. The only objection I have is that they still use the English flag on their ships, and I wish they would take it off. Outside of that, I think there is no greater concern, no more beneficent concern, than the United Fruit Co.

Mr. ROSSBOTTOM. I think so far as the steamships of the United Fruit Co. are concerned, it is one of the best managed steamship concerns we have in the country.

The CHAIRMAN. And they have raised the grade of the bananas, too, haven't they?

Mr. ROSSBOTTOM. I do not know whether they have raised the grade of bananas or not; but I think, so far as their steamship operation is concerned, that it is one of the most efficient we have in the United States.

Mr. HARDY. They do not permit any competition.

Mr. DAVIS. They went up in price before the war prices went up and they have not come down since, like other prices have come down—showing the high prices of bananas are not due to conditions but due to a monopoly.

Mr. EDMONDS. I know when we wanted to get anybody down in the Gulf to keep us posted on any movements going on down there we were dependent on the United Fruit Co. for all the information we got out of Panama, and by their own facilities they supplied us with wireless and kept us posted on incipient revolutions and everything going on down there. I do not think those people want to say anything about the United Fruit Co.

Mr. ROSSBOTTOM. Here is another example of the propaganda that filled the newspapers of the country, and I presume one-quarter of the Members of Congress got reports about it, and everyone thought at first they would like to wallop us the first chance they got. We had a steamer called the *Ancon*. During the war, at the request of the War Department, we were asked to aid in the transportation of nitrates from Chile. We took the *Ancon* out of the coal trade from Norfolk and sent her down to Chile for nitrates; then when we saw in the newspapers that the British Government was about to relinquish control over about 100,000 tons of shipping, we made up our minds it would not be very long before the nitrate rate would be down to \$5 or \$7 a ton, and we booked up all the steamers we could, for a period of eight or nine months, not required in the nitrate trade for the War Department—and we booked them at reasonable rates. I think the lowest rate we got was something like \$14 a ton. I think the rate to-day is \$3.50 a ton.

That *Ancon* came with a cargo of nitrate for the War Department to New Orleans. Her next nitrate charter was about six weeks off, so that then we thought we would put her in the coal trade between Norfolk and the Canal Zone until it was time for her to go back in the nitrate trade; but on account of the unusual conditions existing at Hampton Roads, through the discontinuance of the Fuel Administration which gave the coal operators the chance to profiteer all they wanted to, at a time when coal prices went sky high, and most everybody got crazy, we found we would not be able to get a cargo of coal for that steamer for about four weeks.

It was a question for us to determine whether to bring her up to Hampton Roads and wait four weeks for a cargo of coal, to be discharged at the Canal Zone, and then to send her down for nitrates; or whether to get a cargo of anything for her at New Orleans or at a Gulf port destined to a port north of Hatteras, so as to take up the time we had at our disposal. The firm of J. H. W. Steele & Co., which is one of the principal Shipping Board operators, is a concern with which we had done some business in previous years. We telegraphed to Steele & Co. and asked them if there were any possible chance to secure a cargo of anything for the *Ancon* for a north of Hatteras port. They telegraphed back there was not anything at that time, but they would look into it. We did not hear anything for four or five days and I punched them up for a reply; then they came back and said they were working on a cargo of sulphur. About two days afterwards they telegraphed they had secured a cargo of sulphur for us. I think the rate was about \$4 a ton, free loading,

free discharging, guaranteed loading of 2,500 tons a day and guaranteed discharge of 2,000 tons a day, or something of that kind, and they said that was the best they could do. So we telegraphed them to go ahead and take the cargo of sulphur if that was the best they could do.

We never heard anything more about that until about three or four weeks later, when our freight agent met a representative of the Shipping Board and he said, "Say, what does this mean about you people carrying a cargo of sulphur from Galveston to New York at \$4?" Our man said, "Yes; that is right; Steele & Co. secured the cargo for us." He said, "You know that is lower than the Shipping Board rate. You fellows are cutting rates." I immediately got hold of Steele & Co. and said, "Here, you are the principal Shipping Board agent on the Gulf. You ought to know what the Shipping Board rates are. What do you mean by accepting this cargo at less than the Shipping Board rate, if that was the rate, and why didn't you tell us it was lower than the rate they had fixed; why didn't you tell us that acceptance of it would subject us to criticism on the part of the Shipping Board?" The only reply we got from Steele & Co. was that was the highest rate they could secure and, as far as they were concerned, they did not know any objection could be raised by the Shipping Board.

Mr. EDMONDS. Did you carry any phosphate?

Mr. ROSSBOTTOM. No.

Mr. EDMONDS. Then it must have been this sulphur cargo I heard about in connection with this Nawsco Line, a Philadelphia concern. They were running down to Houston and had four Shipping Board allocated ships and could not get any return cargo. There is a certain time of the year when they can not get a cargo of cotton. They could not get any cotton at this time and they went to the Shipping Board to get a cargo of sulphur and they got a rate of \$6 and found you had taken the cargo at \$4, and they complained to me about you taking it for \$4, and I agreed with them on the principle it was wrong for two Government activities to be competing with each other. And it did not seem so to me.

Mr. ROSSBOTTOM. I agree with you as to that. I heard nothing more about it for two or three days afterwards, and then there came out in the Journal of Commerce a column and a half about the terrible Panama Steamship Line; how they were cutting rates; how they refused to abide by the Shipping Board conferences; how they disregarded the Shipping Board; that it was a concern that ought to be put out of business; it was a terrible corporation.

Mr. HARDY. As I understand you, this was done by you through the Shipping Board itself?

Mr. ROSSBOTTOM. A Shipping Board agent got that cargo for us, and we knew nothing about it and did not have the slightest idea there was any "howl" about it until I read two or three columns in the Journal of Commerce, the New York Tribune, the Marine Journal and the Nautical Gazette, and even Fair Play in London had it. I saw a clipping in Fair Play about this terrible Panama line competing with the Shipping Board. And, as a matter of fact, a Shipping Board agent, and one of the biggest Shipping Board agents in the United States, secured that cargo for us and we knew nothing about any Shipping Board rate. And just as soon as we

knew there was any howl we explained the circumstances to the Shipping Board; but the propaganda was working all right. I have a file of clippings about so high [indicating] which I would like the committee to see, to show how that thing worked.

Mr. SCOTT. Do you mean to say the Shipping Board found out anything at all about it in three weeks?

Mr. ROSSBOTTOM. I do not know when they found it out.

Mr. SCOTT. It is evident they must have found out about it within three weeks.

Mr. ROSSBOTTOM. Yes.

Mr. SCOTT. I did not know they worked that fast.

Mr. DAVIS. When did that occur?

Mr. EDMONDS. It was last September or October. I have the letters upstairs.

Mr. ROSSBOTTOM. As a matter of fact, it would have paid us to have sent that steamer in ballast up to Norfolk and kept her there until we got a cargo of coal. We lost money on that cargo of sulphur; we would have lost less money by sending her in ballast and keeping her at Norfolk. We had to send her to Galveston, Tex.; she caught fire at Galveston, and the damage done to that steamer caused by carrying nitrates on one voyage and carrying sulphur on another and generating sulphuric acid gas cost a great deal of money.

Mr. EDMONDS. You pretty near had an explosion?

Mr. ROSSBOTTOM. We did have fires on board. Had I dreamed that sulphur and nitrates as cargoes would have injured the steamer or caused any condition such as we had at that time, I never would have taken the sulphur. And had I dreamed that the rate was less than the Shipping Board rate, or that the Shipping Board objected to it or had reason to object to it, I would not have authorized Steele & Co. to accept that rate.

Mr. EDMONDS. What service do you give to Haiti to-day? I see you have five points where you stop.

Mr. ROSSBOTTOM. No; we stop at one port. Our weekly steamers stop at Port au Prince; that is the important port in Haiti. One other steamer operates to these other five ports, and they call there about once every four or five weeks, depending upon the amount of cargo obtainable.

Mr. EDMONDS. These other steamers just transship to you at Port au Prince?

Mr. ROSSBOTTOM. No; she does not operate to Port au Prince. She starts at New York and sometimes stops at Cape Haitien and sometimes at all the ports and sometimes only two or three; and after leaving Port au Prince she goes down to the Canal Zone.

I want to give you another example of the propaganda that has been worked against us, trying to create the impression in the mind of everybody that we are a terrible corporation; that we ought to be put down in a well and the lid closed tight.

Mr. EDMONDS. There is great excitement about your Cartagena service.

Mr. ROSSBOTTOM. I am coming to that. We have been engaged in the Cartagena service and Puerto Colombia service for 27 years in connection with the foreign steamship lines I mentioned a while ago. We would take the cargo to Cristobal and transship. The traffic from the United States at that time was controlled by the

Royal Mail Steam Packet Co. from New York; the Atlas Service of the Hamburg-American Line; once in a while the Royal Dutch Line, and the United Fruit Co. The United Fruit Co. at that time operated all English steamers. We transshipped our cargo at Cristobal and received cargo from the Royal Mail Steam Packet Co., the French Line, the Spanish Line, the Italian Line, and also what was called the Knotts-Prince Line. I do not know whether that is in existence now or not.

Now the traffic we were handling to and from the west coast was naturally reduced by the opening of the Panama Canal and the resultant competition of the direct steamers; in that competition the English lines are the controlling factor. They are to-day the controlling factor in American traffic between the United States and west coast ports of South America. We needed traffic for our steamers, and we decided that instead of transshipping cargo to these foreign lines that were operating spasmodically we would extend the itinerary of our regular steamers to Puerto Colombia and Cartagena. Cartagena is the first port, and I think it is about 200 miles south of Cristobal, and Puerto Colombia is about 125 miles south of that, so that it is all handled inside of 30 hours.

We took as our rates the rates that were then being quoted by the Caribbean Steamship Co. and the United Fruit Co. Just about the time we were ready to start in that service and after our tariff was issued, then those American lines, that is, the United Fruit and the Caribbean Steamship Co., made up their minds that they ought to increase the rates from the United States by approximately 25 per cent, and they did increase the rates to American shippers by 25 per cent, their excuse being that the congestion at Puerto Colombia and Cartagena was so severe that it cost that additional amount to handle the cargo and that the shipper ought to pay for it. The reason was correct; there was severe congestion at those two points and the steamship lines from an operating standpoint were perfectly justified in making the shipper pay for it. But the unfortunate part of it was that the European steamship lines operating from Europe to Cartagena and Puerto Colombia did not increase their rates; they maintained their rates at the same level, and their rates for that haul of 2,000 miles more than the haul of the American steamship lines from the United States were away below the rates the American lines charged without the 25 per cent increase. We refused to increase our rates 25 per cent; We had made our plans to start the service; we had notified the shippers of our rates, and we refused to increase our rates because of the congestion. Our first steamer had not gone there; she was just about to sail. We operated one steamer and we stopped there twice a month, I think, in the beginning.

Now, that east coast of Colombia traffic with the United States, under ordinary conditions, was controlled by the Royal Mail Steam Packet Co. and the Atlas Service of the Hamburg-American Line, also possibly by the Royal Dutch Line—but especially the first two lines; they have always controlled that traffic. The United Fruit Co. does not control it, because they can not afford to delay their steamers for as long as it is necessary sometimes to handle that traffic. They perform a regular service there and I think stop at those ports once a week or maybe twice a week; but their time is limited, because they are anxious to get the bananas back. The

minute we started in that service, then, they had about five columns in every newspaper in New York, the Nautical Gazette, the Marine Journal, and every other paper, calling attention to the fact that here was an American line, owned by the Government, competing with these other lines; that we had never been in the business before, had no right to be there; that we were going to put American lines out of business and that effective steps should be taken by the Shipping Board to stop us.

Mr. EDMONDS. The United Fruit is the only line competing there?

Mr. ROSSBOTTOM. I would hardly say that; at the present time the United Fruit is competing there. They operate in the Caribbean Sea. The Royal Mail Steam Packet Co. is going in there even though there is not much business just now; in fact, there has not been much business down there for the past four or five months; and the Caribbean Line of Norwegian steamers is competing there.

Mr. EDMONDS. Do not any other steamers stop there?

Mr. ROSSBOTTOM. Not from New York. All these other steamers, like the Clyde Line, the Munson Line, the Mallory Line, and the Porto Rican Line, they do not go within miles of there and never intend to; but they all signed a petition stating that we are outcasts and ought to be put out of business, on the ground that we are competing with them, and on the theory we are about to extend our service all over the world, and the quicker we are put out of business the better it will be for everybody.

The traffic to and from Colombian ports does not amount to very much, and we can not afford to go there as much as the United Fruit Co. We operate when there is any traffic for them; outward, for both ports, we might secure 400 or 500 tons, and coming back 800 or 900 tons, all depending on just how the coffee comes down. If we had to operate to those ports direct it would not pay us; but because of our operations to the Canal Zone we have the nucleus of a cargo in our steamers to the Canal Zone, and those two ports are only approximately 300 miles from the Canal Zone. We can not operate there more than once in four or five weeks, and if we do not do that we do not get any transshipment cargo, because those foreign lines have stopped transshipping cargo, and it is a question whether we should get the traffic by operating once every four or five weeks to those ports or have to get out of the service and do without the cargo.

Mr. EDMONDS. Do you transship all of the cargo?

Mr. ROSSBOTTOM. We transship part of it. We have to operate a cattle steamer to Cartagena, that is, the Panama Railroad Co. We secure all the cattle used on the Isthmus at Colombian ports—Cartagena, Cispata, and near-by ports. The idea is to keep enough cattle and supplies on the Isthmus, so that in the event anything does happen the Canal Zone will be able to take care of itself.

Mr. EDMONDS. Are you just going to run that cattle steamer between the canal and Cartagena, or between New York and the Canal Zone?

Mr. ROSSBOTTOM. Between Cartagena and Cristobal. We have not fitted that cattle steamer out so that she could run to New York.

Mr. EDMONDS. The Department of Commerce said in their commerce report that you were refitting her for it.

Mr. ROSSBOTTOM. No; she is a small steamer and won't carry more than four or five hundred tons. It was a dredging steamer we secured from the Panama Canal, and we ceiled up the lower part of

the floor where the buckets went through; she will carry about 700 head of cattle and about three or four hundred tons of freight. We had to operate her to secure cattle, and on the homeward trips, if we have any room aboard and freight offers, we pick it up and bring it to the Canal Zone and transship there to our steamers for New York; but that traffic is unimportant and does not amount to anything.

Now, I want to talk about our relations with the Shipping Board. When the Shipping Board first started, of course they were pretty well mixed up. They had a big job thrown at them; they realized the Panama Railroad Co. and its steamship line was owned by the Government, and they called on us for all kinds of information. For instance, there were a number of German steamers seized on the west coast. Those steamers were loaded at San Francisco and different west coast ports of the United States with general cargo to bring to New York to be fitted out by the Navy Department, and used in the transportation of troops and supplies to the Army in France. The Shipping Board did not have anybody to call on to handle those steamers at New York and asked us to handle them, discharge the cargoes, make delivery to consignees, and make an accounting to the Shipping Board, and to act as its representative. That is one illustration. We did that with probably 8 or 10 large steamers.

The Shipping Board knew also that we maintained a large coal supply at Cristobal, and about Christmas time, a year before the war ended, I received a telephone message from the Director of Operations of the Shipping Board, in which he stated that the fuel situation, as far as New England was concerned, was a very, very serious one; that all the steamers that could operate abroad had been seized by the War Department and were being used to carry supplies and troops; that two hospitals in Boston would close the following day for lack of fuel; that there was not a steamer in the United States that they could secure for carrying coal and if ever they had been "up against it" in their lives they were then up against it; that he just happened to recollect that we were maintaining a large coal supply at the Canal Zone, and he asked me if there was any possible chance by which we could take some of the colliers being operated in that service and operate them in the New England trade until the fuel famine was relieved.

Now, it has been our policy for 25 years to always accumulate coal in the beginning of the season; that is, from April to October and November. We are familiar with the fact that during the winter season coal is likely to be frozen in cars at Hampton Roads, or that it will be difficult to secure coal, or that the railroads will be tied up; and if for any reason we can not send large quantities of coal during the winter months we will have enough coal on hand to take care of our requirements until conditions become normal and we do not have to worry. We have almost scratched gravel two or three times because of the demands made upon us, and the above was our policy then, and is our policy to-day.

As a result, we had between 200,000 and 300,000 tons of coal on hand, all of which was needed there, because every steamer that went down to Chile for nitrates, and nitrates were required for the successful prosecution of the war, and that required bunker coal at the canal secured it; and every steamer that was operated in connection with war work secured bunker coal at Panama when they could not get it at Hampton Roads, where coal grows.

We told the Director of Operations of the Shipping Board we had a collier that had about 12,000 or 13,000 tons of Pocahontas coal on board that had sailed from Norfolk at 6 o'clock that morning for the Canal Zone, but that if the situation at Boston and throughout New England was as bad as he stated we would immediately send a wireless message to the captain to proceed to Boston instead of to the Canal Zone. He asked us to do so and we did. The captain received our message and thought we were crazy; he sent back an inquiry repeating the message we sent him and asked if he had correctly understood us, and I told him he had.

Mr. EDMONDS. Pretty nearly every man in the coal business thought you were crazy, too.

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. They had so much coal in New England that they have not been able to buy any since.

Mr. ROSSBOTTOM. They did not have any at that time. I went up to Boston the day that collier arrived there and I think it was 8 degrees below zero. That steamer discharged 12,000 tons of coal in something like 14 hours and within 2 hours from the time that steamer was discharged there was not a pound of coal in sight; it had all been moved. We kept that service up for five or six or seven months, until we had delivered 600,000 or 700,000 tons of coal in New England, and then the Shipping Board told us they were able to manage the situation. I just cite that as evidence of the dependence the Shipping Board placed upon us; they always knew they could depend on us, and every time they asked anything of us we were perfectly willing to give it to them; there was a perfect feeling of cooperation and respect between us and the Shipping Board at all times.

Then all of a sudden, like lightning out of a clear sky, the policy changed. The first we heard of it were rumors that we were mighty decent chaps personally; but that, unfortunately, our capital stock happened to be owned by the Government, and we ought to be put out of the steamship business; that we were a menace to all other American steamship companies and we ought to be kicked out.

Mr. EDMONDS. You understand this bill was not introduced at the request of anybody on the Shipping Board?

Mr. ROSSBOTTOM. I did not know whether it was or not; I just want this committee to understand the propaganda that has been working. Then the newspapers were filled with it, and all along, for the past two years, with but very few exceptions, there has been a feeling on the part of the Shipping Board that we have refused to attend the Shipping Board conferences; that we refused to abide by Shipping Board rules; that we considered ourselves not subject to their jurisdiction; that we would do as we pleased, and that we were "bad eggs."

Now, as a matter of fact, the Shipping Board suggested that we attend the west coast conference and we joined the west coast conference; they suggested that we join the Caribbean conference; we made application to the Caribbean conference and we were rejected they did not want us. We have never yet violated a request of the Shipping Board; we have complied with every suggestion that the Shipping Board has made to us, and there has not been the slightest feeling on our part that we are superior to the Shipping Board. We recognize the Shipping Board as having charge of the maritime interests of the country; we recognize that as far as our freight to

and from the Canal Zone is concerned we are subject to the regulation of the Shipping Board; we file our tariffs with the Shipping Board, and we file all of our tariffs with the Shipping Board that they call for. I just want you gentlemen to understand that as far as the Panama Railroad Co. is concerned, we have never done anything that would tend to convince the Shipping Board that we feel we are superior to them, or are not subject to their jurisdiction and are not doing just what they feel we ought to do. There is not any feeling on the part of the Panama Steamship Line that there is any friction with the Shipping Board; the feeling is on their part.

Mr. SCOTT. You are not under their directions, are you?

Mr. ROSSBOTTOM. We are as far as Canal Zone traffic is concerned. We are operating to an American port; we are operating American steamers; and we must file our tariffs with the Shipping Board.

Mr. EDMONDS. Exactly the same as a private line?

Mr. ROSSBOTTOM. Exactly the same as a private line.

Mr. SCOTT. You are in no different position than any other private concern?

Mr. ROSSBOTTOM. No.

Mr. HARDY. It seems to me the country has found a live wire in the business and now they are complaining about it; that your company has been pretty active and energetic in looking after the business of the Government.

Mr. EDMONDS. In 1914 I tried to get the Government to buy 20 ships for them and you would not do it; and if you had done that in 1914 you would have been in a very much different position in 1917.

Before you get through, Mr. Rossbottom, won't you give us the names of your steamers, the services they are working in, and what service they are doing; that is, their monthly service or weekly service, or whatever it may be?

Mr. ROSSBOTTOM. I have here a statement showing all of our steamers that we operate in the general cargo trade, giving the year they were built, the type of construction, their length, breadth, gross tonnage, net tonnage, dead-weight tonnage, and passenger accommodations, and I will file it.

(The statement filed by Mr. Rossbottom is as follows:)

	Built.	Construction.	Length.	Breadth.	Gross tonnage.	Net tonnage.	Dead weight.	Passenger accommodations.
Colon, ex Mexico...	1899	Steel twin screw...	360.0	50.0	5,670.00	3,513	5,700	191
Panama, ex Havana	1898	.....do.....	360.0	50.0	5,638.40	3,476	5,700	191
Gen. G. W. Goethals, ex Grunewald.	1911	Steel single screw...	353.1	48.7	4,833.00	2,878	5,437	68
Gen. W. C. Gorgas, ex Prinz Sigismund.	1902	.....do.....	370.1	45.3	4,564.00	2,826	5,520	101
Gen. O. H. Ernst, ex Sachsenwald.	1904	.....do.....	356.4	45.3	3,564.00	2,259	5,380	.....
Gen. H. F. Hodges, ex Savoia.	1889	.....do.....	323.5	39.0	2,732.00	1,667	4,065	.....
Allianca.....	1886	Iron single screw...	335.0	42.0	4,016.00	2,441	3,932	112
Advance.....	1883	.....do.....	295.0	38.4	2,458.00	1,481	2,746	61
Achilles.....	1915	Steel twin screw...	514.0	65.2	11,081.00	5,970	14,500	.....
Ulysses.....	1915	.....do.....	514.0	65.2	10,910.00	6,028	14,500	.....
Darien (barge).....	1920	Steel.....	335.8	52.1	4,074.73	3,760	7,500	.....
Mamel (barge).....	1920	.....do.....	335.8	52.1	4,074.73	3,760	7,500	.....
Cristobal, ex Tremont.	1902	Steel twin screw...	489.5	58.0	9,332.00	7,070	13,000	177
Ancon, ex Shawmut	1902	.....do.....	489.5	58.0	9,315.88	7,174	13,000	42

(The committee thereupon took a recess until 2.15 o'clock p. m.)

AFTER RECESS.

The committee reassembled at 2.15 p. m., pursuant to the taking of recess.

STATEMENT OF MR. THOMAS H. ROSSBOTTOM—Continued.

Mr. BRIGGS. Mr. Rossbottom, will you state your experience in this special field of endeavor, in connection with the operation of the Panama Steamship Line?

Mr. ROSSBOTTOM. I started with the Panama Railroad Co. on August 1, 1887, as office boy. I am at the present time the third vice president and secretary.

The CHAIRMAN. What were you then when you entered their service?

Mr. ROSSBOTTOM. Office boy.

Mr. BRIGGS. Of the Panama Railroad Co.?

Mr. ROSSBOTTOM. Of the Panama Railroad Co. At that time it was the Panama Railroad Co. There was no steamship branch. The steamship branch was not started until 1894. Between 1887, when I joined the company, and 1894 the steamship service on the Atlantic was controlled by the Pacific Mail Steamship Co.

Mr. BRIGGS. That is an American corporation?

Mr. ROSSBOTTOM. That is an American corporation. The French stockholders of the Panama Railroad Co. were not satisfied with the way that the Pacific Mail Steamship Co. was developing American traffic via the Panama route. As I stated this morning, the policy of the French stockholders was to make the Panama route a real, live, attractive route, because they figured that ultimately they would build the Panama Canal.

Mr. BRIGGS. By the French stockholders you refer to the stockholders of the Pacific Mail Steamship Co.?

Mr. ROSSBOTTOM. No, the stockholders of the Panama Railroad Co. They figured that ultimately they would build the canal and that by the time the canal had been completed there would be a regular large trade movement via Panama. At that time the Pacific Mail Steamship Co. was more or less controlled by the Transcontinental Railroads, and they had previously entered into an agreement with the Transcontinental Railroads by which a subsidy was given to the Pacific Mail Steamship Co. for keeping out of the California traffic; that defeated the purpose, of course, of the French stockholders of the Panama Railroad Co., because it resulted in practically no American coastwise traffic moving via Panama, and in the Pacific Mail Steamship Co.'s receiving a subsidy from the transcontinental railroads. When the through-billing contract expired in 1893 between the Panama Railroad Co. and the Pacific Mail Steamship Co., then the Panama Railroad Co. put on its own steamships between New York and Aspinwall, then the name of the Atlantic terminal, later changed to Colon.

Mr. BRIGGS. How much has the service extended from the time it ceased to be operated by the Panama Railroad Co., or the Panama Steamship Co., and the time that the Government took it over?

Mr. ROSSBOTTOM. We now stop at Haiti on the outward and homeward trips; we have extended the itinerary of one steamer a month to Puerto Colombia and Cartagena, which are 360 miles south of Cristobal, and we also operate a monthly service on the west coast as far south as Guayaquil. That last service, however, was really necessary because the Pacific Steam Navigation Co. stole the traffic from us by diverting it to the Royal Mail.

Mr. BRIGGS. How has your service extended; not only your routes but your service? I mean by that the number of steamships you employ, and the size of the vessels. How much more tonnage does the line operate under Government control than it did previously under the private control of the Panama Railroad Co.?

Mr. ROSSBOTTOM. The largest increase in the tonnage has been in connection with the transportation of coal from Hampton Roads to the Canal Zone. Previous to the time that the Government took control of our company we made charters each year with various steamship lines to carry our coal down to the Canal Zone, and the steamers employed for that business were steamers of Norwegian and other foreign registries. Most of them were controlled by the Earn Line Steamship Co. and the United States Shipping Co. Those concerns were what are known as "time charter owners." They would charter Norwegian and other foreign steamers for a period of one, two, or three years, and take their chances on getting profitable business for them. They would carry our coal out from Hampton Roads to Cristobal, and then they would come back with ore from Cuba to Baltimore. In that way we arranged for our coal to be transported at very low rates.

When the Government took control of the property it was decided to build American steamers to carry our coal to the Canal Zone, and by congressional appropriation were built the *Achilles* and the *Ulysses*, of about 12,000 tons capacity each, and two barges of 7,500 tons capacity each, named the *Darien* and the *Maumer*. They are not down on the list of our steamers I handed you, because they are operated only in the coal trade. We also operate in that same coal trade the *Cristobal*, of about 10,000 tons capacity, and the *Ancon*, of about 10,000 tons capacity. The *Ancon* and the *Cristobal* were the old *Shawmut* and *Tremont* of the Boston Steamship Co.

Mr. EDMONDS. Are they all passenger boats?

Mr. ROSSBOTTOM. They were built for freight purposes, but we have increased the passenger accommodations of the *Cristobal* so as to take care of about 165 employees. The *Ancon* and the *Cristobal* were the old *Shawmut* and *Tremont* of the Boston Steamship Co.

Mr. HARDY. I thought I went down there on the *Ancon*.

Mr. ROSSBOTTOM. I think you did. I think they were purchased to enable us to carry cement necessary for the construction of the Panama Canal, and when that work was completed we turned them over to the coal trade.

Mr. EDMONDS. Do you own those steamers of the Panama Steamship Co.?

Mr. ROSSBOTTOM. No; they are owned by the United States Government, and were turned over to us to operate in our coal trade.

Mr. EDMONDS. The whole six of them?

Mr. ROSSBOTTOM. The whole six of them.

Mr. EDMONDS. In what department is the ostensible ownership—the War Department?

Mr. ROSSBOTTOM. No; they stand in the name of the Government of the United States, as represented by the Panama Railroad Co., agent.

Mr. EDMONDS. What becomes of the charges on those steamers for depreciation, etc.? They do not appear in your accounts at all, do they?

Mr. ROSSBOTTOM. Yes; they appear in our accounts. We charge them with interest, depreciation, etc.

Mr. BRIGGS. At what per cent?

Mr. ROSSBOTTOM. At 6 per cent.

Mr. BRIGGS. Does that percentage prevail with regard to all your steamers?

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. My recollection is that the Shipping Board is charging off 10 per cent; is not that true, Mr. Edmonds?

Mr. EDMONDS. No; they had a number of different charges. Mr. Stephens contended that on passenger boats $2\frac{1}{2}$ per cent was enough. Perhaps you were not here then. Then they followed for a while the English system of charging off 7 per cent the first year, 6 per cent the second year, and 5 per cent afterwards, or something like that, and I rather think they gradually got it down to a 5 per cent depreciation charge.

Mr. BRIGGS. I thought they told us that the Shipping Board for a long time carried vessels on a 10 per cent depreciation charge?

Mr. EDMONDS. Possibly they did, but they changed their system very frequently.

Mr. BRIGGS. What percentage is a fair depreciation charge?

Mr. EDMONDS. Five per cent is a fair depreciation charge. If it is a secondhand boat when you buy it, you have got to figure it is half depreciated when you buy it if it is 10 years old. The real understanding we have had here, I think, is that the expense of repairs on a boat at the age of 20 years, an ordinary cargo boat, becomes so great that she virtually ought to be depreciated in 20 years, is not that right?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. That is what the testimony before the committee was; but, of course, passenger boats, as a general rule, last longer. You can probably get 30 years out of a passenger boat, but it is always safe to get your depreciation out in 30 years.

Mr. BRIGGS. I was going to say that some of the Cunarders have been running 30 years or more in the passenger trade almost entirely.

Mr. EDMONDS. How much stock in coal do you carry? You said you carry this coal supply. What does that amount to?

Mr. ROSSBOTTOM. It is necessary for us to maintain a coal supply in the Canal Zone.

We ordinarily carry a three months' supply. We try to figure on having enough coal on hand so that if we could not send any down for three months we could get along. At the beginning of the war we saw what was coming, and we purchased a large quantity of coal and sent it down there to be ready.

Mr. EDMONDS. What is your storage capacity now?

Mr. ROSSBOTTOM. We can accommodate at Cristobal and at Balboa about 350,000 tons.

Mr. EDMONDS. What is your annual use?

Mr. ROSSBOTTOM. Our use at the present time is very much decreased. During the past four months it has been very much reduced, but ordinarily we figure on using 50,000 tons a month.

Mr. BRIGGS. Is that all steam coal, Pocahontas coal?

Mr. ROSSBOTTOM. Yes. Just at the present time we are using 35,000 tons on account of the depressed business conditions.

Mr. BRIGGS. How many vessels are you operating in your fleet?

Mr. ROSSBOTTOM. We are operating the *Colon*, the *Panama*, the *Alliance*, the *Advance*, the *General Goethals*, the *General Gorgas*, the *General Ernst*, and the *General Hodges*—eight. That is the entire fleet. Of course, you must usually figure on having about one steamer tied up on account of repairs. Sometimes it is two or three, but on an average you have one out of the eight tied up.

Mr. EDMONDS. Are those barges self-propelled, or towed?

Mr. ROSSBOTTOM. Towed.

Mr. EDMONDS. The other steamers tow them?

Mr. ROSSBOTTOM. The other steamers tow them. We have a capacity of 19,000 tons in one unit, 12,300 tons in the collier, and 7,500 tons in the barge.

Mr. BRIGGS. What service are you having—weekly service?

Mr. ROSSBOTTOM. We have a weekly service.

Mr. BRIGGS. Does the line run on a regular schedule?

Mr. ROSSBOTTOM. It runs on a regular schedule. We try to sail from New York every Friday, except during the strike, when we were tied up. Our present service is a weekly one to the Canal Zone, stopping at Port au Prince on the outward and homeward voyages.

Mr. BRIGGS. Mr. Rossbottom, I think you left off discussing awhile ago the development of your East Coast trade. Have you finished that?

Mr. ROSSBOTTOM. No; I have not. I will get back to it. We have a steamer every week which stops at Port au Prince on the outward and homeward voyages. Then we have one steamer a month, either the *Hodges* or the *Advance*, operating to minor Haitian ports on the way to and from the Canal Zone.

Mr. BRIGGS. I want to get clear in my mind to what extent you are engaged in transporting cargo other than for the Government.

Mr. ROSSBOTTOM. Well, every steamer we operate carries cargo outside of the Government cargo. There is no Government cargo coming back.

Mr. BRIGGS. How much of your cargo going down is ordinarily Government cargo; about what percentage, roughly?

Mr. ROSSBOTTOM. I should judge, on an average, about 45 per cent.

Mr. HARDY. But all this coal is a part of it?

Mr. ROSSBOTTOM. No; I have in mind only general cargo. I did not consider coal in my estimate.

Mr. EDMONDS. You come home light with these barges?

Mr. ROSSBOTTOM. Yes; we come home in ballast.

Mr. EDMONDS. Tell us which boats you operate weekly in the Panama service.

Mr. ROSSBOTTOM. We operate weekly in the service between New York and the Canal Zone, stopping at Port au Prince, the *Colon*, the *Panama*, the *General Gorgas*, and the *General Goethals*—those four vessels. We always have one steamer out of the eight tied up for repairs. At the present time we have the *General Goethals* tied up, and in her place we have put the *Allianca*.

Mr. BRIGGS. How long does it take to make that trip?

Mr. ROSSBOTTOM. The round trip is made in a little over three weeks.

Mr. BRIGGS. How much for all your visits—about three weeks?

Mr. ROSSBOTTOM. Yes.

Mr. CHUNDBLOM. That includes spending a week at Panama?

Mr. ROSSBOTTOM. That includes spending six days at Panama and one day at Port au Prince.

As I stated, the *Goethals* is now laid up on account of repairs, and her place is being taken by the *Allianca*.

We operate to the minor Haitian ports, to the Canal Zone, and Colombian east coast ports, but one steamer takes care of that. That is usually the *Advance* or the *Hodges*.

Mr. BRIGGS. You testified before lunch that your trade from Haiti, I think, had fallen off considerably, but that you were still carrying possibly 40 or 45 per cent.

Mr. ROSSBOTTOM. That is from Haiti to Europe via New York.

Mr. BRIGGS. That is intended for Europe?

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. Is that due to the competition you have had with the Dutch lines and the English lines, or is it due to any general falling off in trade?

Mr. ROSSBOTTOM. It is due to our competing with these foreign lines for that traffic. We have these steamers coming homeward and have plenty of space in them. We must get cargo for them somehow or other, and we compete with these English, French, and Dutch lines by stopping at Haitian ports and accepting European coffee and cotton and bringing it to New York at the same rates that they do.

Mr. BRIGGS. I was wondering whether the percentage of your loss was attributable to the competition, or whether it was due at all to the general falling off in trade. I think you said you were carrying about 45 per cent of it. You did not mention the amount.

Mr. ROSSBOTTOM. No.

Mr. BRIGGS. About how much in dollars and cents, averaged roughly, does your trade amount to each year?

Mr. ROSSBOTTOM. I can tell you better in tonnage than in dollars and cents. During the war period there were very few European steamers operating, and we secured practically a monopoly of that trade. We got all this European traffic and brought it to New York. When the war ended and the European lines saw that we were bringing European traffic via New York, they immediately increased their sailings to Haitian ports; naturally the rates were reduced, and there was more competition, so that we are carrying now from 40 to 50 per cent of the European-Haitian traffic via New York. I will give you the total tonnage we are carrying from Haitian ports. During the first four months of this year we brought 6,690 tons of cargo from Haiti to New York. Last year, for the same time given, during the same period, we brought 9,468 tons.

Mr. BRIGGS. Short tons?

Mr. ROSSBOTTOM. Well, the weight or measurement ton. It is all long tons, either 2,240 pounds, or 40 cubic feet.

During the calendar year 1920 we brought 21,169 tons from Haitian ports; in 1919, we brought 7,815 tons. The great bulk of

traffic from Haiti to Europe via New York was in 1920, but this year it has been reduced considerably, due in a measure to the competition of the English lines, and also to the depression in traffic. I think the depression in traffic probably has a great deal more to do with it than the competition of the European lines.

Mr. EDMONDS. You are going to put those reports in the hearing?

Mr. ROSSBOTTOM. Yes; I will give them to you.

There is another figure you asked about.

Mr. BRIGGS. I asked for the values. You said you could not give it in dollars and cents.

Mr. ROSSBOTTOM. No.

Mr. HARDY. Do you know how much your line received per ton?

Mr. ROSSBOTTOM. No; our statistics are not made up on that basis. I can tell the average we received on all the cargo we handled. I could figure it out, of course, just what we received on this Haitian traffic, but our statistics are not made up on that basis.

Mr. HARDY. Have you put in the record what you received on all the cargo?

Mr. ROSSBOTTOM. I think I have. If I have not, that is in the annual reports.

Mr. HARDY. In a general way, has your line made money or lost money for the last four or five years?

Mr. ROSSBOTTOM. Last year we had a deficit of \$270,000 on the steamship line proper, our first deficit in many years. I have the figures right here in the annual reports.

Mr. HARDY. I would like you to put that information in the record, covering the past 10 years.

Mr. ROSSBOTTOM. The net income in 1919 was a deficit of \$278,521.70; our net income the year before was a profit of \$2,444,004.61.

Mr. HARDY. While you are getting the next figure, does that include allowance for interest and depreciation?

Mr. ROSSBOTTOM. Interest and depreciation, yes.

Mr. EDMONDS. All overhead charges, too?

Mr. ROSSBOTTOM. Yes.

Mr. HARDY. What I wanted to get at particularly was this: When a Government enterprise is shown to have made money, they say, "Well, that does not allow anything for the cost of the plant, for interest, or depreciation." That is the reason I asked that question.

Mr. EDMONDS. I think they are not in any different position from most Government activities, inasmuch as when they suffered a loss they went on operating the same as a private concern.

Mr. HARDY. I just wanted to know whether this was allowing for all overhead charges.

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. Have you set forth your financial statements in a separate statement, or are they contained in the reports?

Mr. ROSSBOTTOM. They are contained in the reports. The steamship line operations are given separately in the annual reports of the Panama Railroad Co.

Mr. EDMONDS. Could they be written up for 10 years back so that we could put them in the record?

Mr. ROSSBOTTOM. Yes; it would be easy to get it. I would be very glad to make up the statement.

Mr. EDMONDS. If you will send it down here we will print it in the record.

Mr. ROSSBOTTOM. Yes; I will do that. All the reports, as I stated this morning, have been submitted to Congress.

Mr. EDMONDS. I have your reports, but I think in order to make the testimony complete we ought to put them in along with it.

Mr. ROSSBOTTOM. Yes.
(The statement is as follows:)

Statement showing result of operations of the Panama Railroad Steamship Line from 1911 to 1920, inclusive.

Year.	Net revenue.		Net income.	
	Profit.	Deficit.	Profit.	Deficit.
1910.....	\$166,272.73		\$166,272.73	
1911.....	76,416.09		76,416.09	
1912.....		\$306,742.85		\$306,742.85
1913.....	221,489.92		125,921.59	
1914.....	314,296.36		218,646.67	
1915.....	499,853.42		586,066.53	
1916.....	1,004,373.05		1,055,584.90	
1917.....	1,162,800.46		1,161,734.00	
1918.....	1,359,208.00		1,262,764.49	
1919.....	3,125,812.24		2,444,004.61	
1920.....		117,676.56		273,521.70

Mr. CHINDBLOM. I understood you to say that in 1919 you had a profit of over \$2,000,000.

Mr. ROSSBOTTOM. Yes.

Mr. CHINDBLOM. And in 1920 a loss of—

Mr. ROSSBOTTOM. \$278,000. That was due in a great measure to three strikes that seriously affected our revenue. We had the strike of the Seamen's Union that tied up six of our steamers for 30 days; then we had the longshoremen's strike, that completely stopped the loading and discharging of our steamers for another period of 30 days; and then we had the strike of employees on railroad tugs and lighters in New York Harbor that interfered with the delivery of freight to and from our steamers. The result being that during the fiscal year we had 12 months of heavy operating expense and a little over nine months' operating revenue.

Mr. CHINDBLOM. In 1919?

Mr. ROSSBOTTOM. In our fiscal year 1919-20; we are having an almost similar experience this year, excepting that we are operating our steamers notwithstanding the strike condition, but at enormous expense.

Mr. CHINDBLOM. I suppose some of it was due to the loss of business on account of the resumption of shipping by the foreign boats.

Mr. ROSSBOTTOM. Yes, that had considerable to do with it; but had it not been for the three strikes we would have come through 1919 with a profit.

Mr. EDMONDS. How were you before 1913? Did you make a profit?

Mr. ROSSBOTTOM. We have usually made a profit on the steamship line. I think that during the total operations of the steamship line there have not been more than one or two years when we had a deficit. Last year that deficit was in the neighborhood of \$270,000. This year, because of depression in trade, heavy operating expenses, and strike conditions it will be greater. •

Mr. BRIGGS. How are you making up the deficit?

Mr. ROSSBOTTOM. The corporation, the Panama Railroad Co., usually makes money on its railroad and other operations on the Isthmus; and most years from its steamship operations. The corporation, as a whole, has always made a profit, although the steamship branch on several occasions has suffered a deficit.

Mr. BRIGGS. And you recoup your loss out of the earnings of the other?

Mr. ROSSBOTTOM. Yes; and also of the reserves we have accumulated from the steamship operations.

Mr. BRIGGS. How much reserve do you carry along usually? By reserve I presume you refer to surplus?

Mr. ROSSBOTTOM. The reserve I refer to is the actual cash reserve. We have a cash reserve in the steamship line of about \$2,800,000.

Mr. EDMONDS. Where is that carried, in the treasury?

Mr. ROSSBOTTOM. In bonds, railroad bonds, that were purchased about five or six years ago, and also in Treasury Department certificates of indebtedness.

Mr. EDMONDS. Is that under the control of the directors of your company, or is it under the control of the Treasury Department?

Mr. ROSSBOTTOM. Under the control of the directors.

Mr. EDMONDS. In other words, if you want to buy a steamer to-morrow, you can go ahead and do it, without any approval by the Government at all?

Mr. ROSSBOTTOM. Except that we have to secure the approval of the Secretary of War, who is the chief stockholder.

Mr. BANKHEAD. Are there any Government officials on the board of directors?

Mr. ROSSBOTTOM. They are all Government officials.

Mr. BANKHEAD. I mean by that are there any Army officers?

Mr. ROSSBOTTOM. Yes, sir; Army and Navy officers represent the Government on the board of directors.

Mr. CHINDBLOM. Before you leave the question of profits and losses on the steamship line, I wanted to ask whether there were strikes in 1920 that contributed to the loss. I think that is pertinent right here.

Mr. ROSSBOTTOM. You see, our year is not the calendar year; it is the fiscal year from July 1 to June 30. We have had this year—that is, during the fiscal year of 1921—a strike that tied us up for about four weeks, and we have had a heavy loss. We started to operate our steamers by strike breakers and everyone else we could secure, because we must maintain the food supply on the Canal Zone; we also had to transport the employees of the Government, and it has cost a great deal of money.

Mr. CHINDBLOM. When you spoke of the year 1920, you meant the year ended June 30, 1920?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. Do most of your profits arise out of the operations of the steamers or from the charter earnings?

Mr. ROSSBOTTOM. We have no charter earnings. We do not charter any of our steamers.

Mr. EDMONDS. You have no charter earnings of any kind at all?

Mr. ROSSBOTTOM. No; not at present.

Mr. EDMONDS. You have had in the past, though?

Mr. ROSSBOTTOM. Only during the war when we were carrying nitrates for the Government. That is, we received a rate per ton for carrying the nitrate.

Mr. EDMONDS. Then you had charter earnings during the war?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. But your material profits now come right out of the operation of the steamers?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. The wages you pay are the same, I suppose, as those paid by the Shipping Board?

Mr. ROSSBOTTOM. Yes; the ruling rate of wages.

Mr. EDMONDS. You do not carry the same crews that they do, though?

Mr. ROSSBOTTOM. I do not know what they do carry. We carry as few as we can; I know that much.

Mr. EDMONDS. Then you do not carry the same crews that they do, because they do not carry as few as they can.

Mr. CHINDBLOM. Are your crews altogether unionized?

Mr. ROSSBOTTOM. They were up to the present strike.

Mr. BRIGGS. Do your boats comply with the provisions of the seaman's act?

Mr. ROSSBOTTOM. Yes; our steamers are all passed by the local steamboat inspectors.

Mr. BRIGGS. In regard to lifeboat equipment, the number of able seamen, etc.?

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. In all respects you comply with the seaman's act?

Mr. ROSSBOTTOM. In all respects.

I will give now a list of the officers. The president of the company is Col. Jay J. Morrow, who is the governor of the Panama Canal. The next director is Gen. Chester Harding, who was the former governor of the Panama Canal; the next is the Assistant Secretary of War, Mr. J. Mayhew Wainwright; the next is Mr. T. L. Clear, who is now connected with the War Department and was formerly collector of the Panama Canal; the next one is Mr. E. A. Drake, vice president; the next is Gen. O. H. Ernst, a retired Army officer and formerly a member of the Isthmian Canal Commission; Mr. A. C. Hinman, who is the district attorney of the Canal Zone; Mr. E. P. Jessup, who is the representative of the Navy Department in the Panama Canal Zone, and is the marine superintendent; Gen. Frank McIntyre, of the Insular Bureau; Mr. R. K. Morris, chief quartermaster of the Panama Canal on the Isthmus; then I am a director of the company; Admiral H. H. Rousseau, representing the Navy Department; and Mr. H. H. A. Smith, auditor of the Panama Canal.

Mr. BANKHEAD. How often do you have meetings of the board?

Mr. ROSSBOTTOM. Every three months.

Mr. BANKHEAD. Do these directors draw any perquisites or compensation?

Mr. ROSSBOTTOM. None.

Mr. CHINDBLOM. How are they elected? Do they hold those positions by virtue of their official status or are they selected by the corporation?

Mr. ROSSBOTTOM. They are selected by the Secretary of War. There are 70,000 shares of stock owned by the Government. All of

them, with the exception of 13 shares, stand in the name of the Secretary of War of the United States. The other 13 shares are held by the directors for qualification purposes only, and they are indorsed by the directors and placed in the custody of the Secretary of War, so that at any time he can make a change in the personnel of the directors if he considers it necessary.

Mr. EDMONDS. A sort of monopoly, is it not?

Mr. ROSSBOTTOM. It is a monopoly.

I would like to explain just how the Government came to name the board of directors. When the Government started to build the Panama Canal they named an Isthmian Canal commission of seven members, and each one of those seven members was named as a member of the board of directors of the Panama Canal Railroad Co. Then there were five Army and Navy officers also selected by the Secretary of War. That made a total of 12. And then there was Mr. E. A. Drake, who had been a director of the company for many years.

Mr. HARDY. He was in the company from the beginning?

Mr. ROSSBOTTOM. He was in the company from the beginning of the control of the company by the French Panama Canal Co. He was continued as a director and was the only civilian director of the company outside of the members of the Panama Canal Commission and other Government officials—until I was elected a director about two or three years ago—during the entire construction period of the canal up to the discontinuance of the Isthmian Canal Commission.

Mr. CHINDBLOM. When was that; do you remember?

Mr. ROSSBOTTOM. I should judge about seven years ago; about 1914. Then the Panama Canal was created by the Panama Canal act. That naturally did away with all of these former members of the Isthmian Canal Commission. Some of them were in the Government service. So the Secretary of War approved of the plan that the governor of the Panama Canal was to be the president of the company; that those members who were the oldest in the Canal Commission and who were still active should continue as directors of the company and that the heads of the departments of the Panama Canal on the Isthmus should also be named directors. That is the reason that the chief quartermaster is a director, the engineer of maintenance, the auditor, the collector—

Mr. CHINDBLOM. The chief naval officer—

Mr. ROSSBOTTOM. Then the representative of the Navy Department. We have two representatives of the Navy Department, one on the Isthmus, Capt. Jessop, and one representing the Navy Department in the United States, Admiral Rousseau.

Mr. EDMONDS. Jessop occupies an official position down there with the canal, does he not?

Mr. ROSSBOTTOM. Capt. Jessop is marine superintendent of the Panama Canal.

Mr. BRIGGS. I want to ask you a question in connection with the operating costs of your vessels. You spoke about the fact that in your accounts you charged a certain amount for depreciation and perhaps other capital costs.

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. What are the operating costs and the percentages of them for your vessels?

Mr. ROSSBOTTOM. You mean——

Mr. BRIGGS. What is the capital cost, what is the earning cost, what is the wage cost, the fuel cost, the repair cost? Have you got those?

Mr. ROSSBOTTOM. I have with me the per diem costs of each of our steamers for a period of five months.

Mr. BRIGGS. I want the capital cost of operating the steamers per voyage.

Mr. ROSSBOTTOM. Our operating costs depend, of course, a great deal on the quantity of cargo we carry and the number of passengers we secure. All that I can submit for the committee just at the moment is a statement showing the per diem operating costs of our steamers.

Mr. BRIGGS. I mean the percentage of the different elements that enter into your operating costs.

Mr. ROSSBOTTOM. No; I have not that. I can have that prepared and submit it to you.

Mr. EDMONDS. Let him give us an itemized statement for 10 years, and then take one steamer, like the *Colon* or *Panama*, and let him give us an itemized statement of the annual operating cost of that steamer, showing the fuel cost, the amount of freight carried, the number of passengers carried, etc. Let him take the *Colon* or *Panama*, because they run more regularly than the other steamers, and show that for the year 1913 he had a crew of so many, and that it cost so much to operate the vessel after deducting the fuel cost, etc.

Mr. HARDY. Why not make it apply to the whole 10 years, so it will cover the whole time?

Mr. EDMONDS. Of course that would make a lot of work.

Mr. ROSSBOTTOM. It will just be a transcript from our records, because it is already prepared.

Mr. HARDY. It would be easier to take it as a whole than to pick out one vessel?

Mr. ROSSBOTTOM. No; each steamer is kept separate.

Mr. EDMONDS. Is it the idea here to get each steamer separate, so that you will get an idea of what it costs to operate a steamer? Because the cost of operating an 8,000-ton steamer would be different from the cost of operating a 4,000-ton steamer, and if you put it all in one statement you could not compare them.

Mr. HARDY. What I want to get at is a showing of the relative percentages of all these elements that enter into the running of a ship line.

Mr. CHINDBLOM. What is the farthest port that any of your ships makes from New York?

Mr. ROSSBOTTOM. Guayaquil, on the west coast of Ecuador. We have one steamer a month there.

Mr. HARDY. That is about 400 miles from Panama?

Mr. ROSSBOTTOM. Puerto Colombia and Cartagena are on the east coast. They are about 400 miles from Cristobal. Guayaquil is on the west coast of Ecuador. I should judge that it must be about 900 miles south from Cristobal.

Mr. EDMONDS. These dotted lines you have made on the map here indicate where the vessels put in either to take on or discharge cargo, do they not?

Mr. ROSSBOTTOM. Yes.

Mr. CHINDBLOM. They also show the connecting lines?

Mr. ROSSBOTTOM. They also show the connecting lines. They are not all our steamers. The dotted line on the right, in the Atlantic Ocean, indicates the service we perform. The same dotted line down to Guayaquil, on the left-hand side, indicates also the service we perform. The other dotted line running down as far as Valparaiso and running up north as far as Mexico indicate the service performed by connecting lines.

Mr. CHINDBLOM. I mean these lines where they wave in indicate the points where they touch either to discharge or obtain cargo?

Mr. ROSSBOTTOM. That is right. Those are the ports on the east and west coasts.

Mr. BANKHEAD. One other question in reference to the board of directors. Are they removed at the pleasure of the Secretary of War or for cause? I would like to know what the system is.

Mr. ROSSBOTTOM. All that the Secretary of War has to do is to transfer a share of stock from one director to some one else, and that automatically cancels the qualification of the director to serve.

Mr. BANKHEAD. Are they appointed from year to year, or what is the tenure of their office?

Mr. ROSSBOTTOM. One year. The annual election takes place on the first Monday in April of each year.

Mr. CHINDBLOM. Have you said anything about the organization of the company? Is it a Federal corporation?

Mr. ROSSBOTTOM. Yes. I said that in the beginning. It is a New York corporation, organized under the laws of the State of New York in 1849.

Mr. CHINDBLOM. It was organized by the French?

Mr. ROSSBOTTOM. No; it was organized by American citizens, and the French finally afterwards secured control of the company by purchasing its stock. As a matter of fact, the stock of the Panama Railroad Co. was regarded as one of the most speculative stocks ever known on the New York Stock Exchange up to 1885. The old-timers used to think that the American Sugar Refining Co. stock was spectacular, but it did not compare with the operations in the Panama Railroad Co. stock previous to that time. It was a wealthy corporation, and the control of it was secured by a group of railroad capitalists headed by Mr. Trenor W. Park. He was a prominent Vermont capitalist, and then these capitalists finally secured the stock control of the Pacific Mail Steamship Co. They would control the market one day in favor of the Pacific Mail and the board of directors of the Panama Railroad would be named by the Pacific Mail. Shortly afterwards they would manipulate both stocks on the market and the directors of the Pacific Mail would be named by the other corporation. This game was worked more than once and millions of dollars were won and lost by this spectacular stock jobbing.

Mr. BANKHEAD. How much did it cost to build the Panama Railroad, approximately?

Mr. ROSSBOTTOM. About \$7,000,000.

Mr. BANKHEAD. It is a profitable enterprise for the stockholders?

Mr. ROSSBOTTOM. Yes; it always has been.

Mr. BANKHEAD. The value of that stock, \$250, which you quoted this morning, would indicate that.

Mr. ROSSBOTTOM. Its dividends previous to the time that the Government secured control of it ranged from 6 per cent a year up to 23 per cent.

Mr. BRIGGS. You were speaking a moment ago of the establishment of the Clyde Line, which took over your tramp service to Haiti. How many vessels is the Clyde Line operating now between the United States and Haiti?

Mr. ROSSBOTTOM. I do not know how many vessels they are operating. My impression is that they are operating two Shipping Board vessels of the lake type.

Mr. BRIGGS. What service is that, a monthly service?

Mr. ROSSBOTTOM. I think the Clyde Line is giving a little better than a monthly service. I think they give a service about every three weeks.

Mr. CHINDBLOM. What flag are they under?

Mr. ROSSBOTTOM. The American flag.

Mr. BRIGGS. Operating Shipping Board vessels?

Mr. ROSSBOTTOM. Operating Shipping Board vessels.

Mr. EDMONDS. They do not carry any passengers at all?

Mr. ROSSBOTTOM. No.

Mr. BRIGGS. Do you know how they have been doing?

Mr. ROSSBOTTOM. Yes; we keep pretty close tab on them. They have not been doing very well. They have not been doing anywhere near as well as we have, nor anywhere near as well as the Royal Dutch Line.

Mr. BRIGGS. Are they operating at a profit or a loss?

Mr. ROSSBOTTOM. They must be operating at a heavy loss. They can not possibly be operating at a profit. There is no business.

Mr. BANKHEAD. You are familiar in a general way, I know, with world shipping conditions. Have the British shipping interests many vessels tied up idle at the present time?

Mr. ROSSBOTTOM. All I know is what I have seen in the public press. The public press indicates that there are a number of them tied up. I do not know how many there are.

Mr. BANKHEAD. Does that relate also to the Norwegian and Scandinavian vessels?

Mr. ROSSBOTTOM. I do not think there are as many Norwegian and Scandinavian vessels tied up as English vessels, because they can be operated much cheaper than the English vessels.

Mr. BANKHEAD. Do you know whether any Japanese merchant vessels are idle or not?

Mr. ROSSBOTTOM. I do not know.

Mr. BRIGGS. I think the last report showed 180,000 tons.

Mr. CHINDBLOM. Are you familiar with the recent interisland transportation system which I have been told has been established by the English interests in the Carribbean Sea?

Mr. ROSSBOTTOM. No.

Mr. CHINDBLOM. I have been told that the English interests have started a line of steamers running between the islands of the Caribbean Sea, under conditions which would indicate that they must be running under a subsidy of some sort. On a trip down in those seas in March, we passed an English steamer which someone said was one of the newly established line of that kind, indicating that they are trying to pick up the business and control the business between the islands down there.

Mr. ROSSBOTTOM. That has always been the policy of the British, the German, and the Dutch lines, to engage in this interport service. That is, steamers starting from Europe would stop at the first island of the West Indies, and then trade at the different ports, stopping at the Dutch West Indies possibly on the way down, and then trading on the way back again, stopping at St. Thomas and then proceeding to Europe. Sometimes those steamers, instead of proceeding to Europe, if they had sufficient American cargo on board, would come up to the United States and discharge their American cargo. That has always been the policy of the foreign lines, and that is one of the reasons why to-day the American trade with the West Indies is controlled by the foreign lines. The West Indies, as far as that traffic is concerned, are not controlled by the American lines, but by the foreign lines.

Mr. BRIGGS. Do you know anything about their being subsidized by the English Government?

Mr. ROSSBOTTOM. No; I do not.

Mr. EDMONDS. I have got that in the Canadian-West Indian agreement. If you would like to have a copy of that agreement put in the hearings, I will supply it for you. There is now a Canadian-West Indian arrangement, by which they are trying to corral the entire trade of the English West Indies for the Canadian steamers that come up toward this country, and they are supposed to have an agreement between these two parties.

Mr. HARDY. What two parties?

Mr. EDMONDS. Between the government of Jamaica, we will say, and the government of Canada, by which it is agreed that freight should be given preference on steamers of the two parties to the agreement. I can get the agreement if you want it, Mr. Chairman, and put it in the record, which will give you the subsidy and everything else.

Mr. HARDY. That agreement might be interesting.

Mr. EDMONDS. I was going to ask you in regard to the inter-island business down there: There are quite a number of steamers running between those islands anyhow, are there not?

Mr. ROSSBOTTOM. I do not know.

Mr. EDMONDS. We have a line that is running between Cuba and Porto Rico, and we have a line running between some of those different islands down there, surely?

Mr. ROSSBOTTOM. I have not very much knowledge as to just what lines are operating between the various West Indian ports. All that I have knowledge of is the service we are performing, and the lines that are operating in that particular trade.

I would like to state, in connection with the Haitian situation and the Clyde Line, that we went into Haiti at a time when no other line was operating to Haiti, and we lost considerable money in developing American traffic with Haiti. The Clyde Line comes along, buys out the Raporel outfit, secures the assignment of some steamers from the Shipping Board, and then believe that because they have done that we ought to be forced out of Haiti, when we have developed a business there. Now, here is what is going to happen if the Panama Steamship Line is deprived of the chance to engage in Haitian traffic. No steamship line can cater to Haitian traffic alone and exist. Haiti is not a country that can support any one steamship line on Haitian

business. There is a reasonably large movement of traffic from the United States, say, two or three months during the year, and then there is a fairly large movement of traffic from Haiti to the United States for, say, three months in the year. The balance of the year Haiti is practically dead, and it is just a retail business.

Any line that goes to Haiti with the idea that it is going to make money operating in the Haitian trade will sooner or later become bankrupt. The Royal Dutch Line is at present an important line in the American traffic with Haiti, just the same as the Atlas service of the Hamburg-American Line was an important line previous to the war—for this reason, that when their steamers leave New York they have a nucleus in those vessels of a cargo to the Dutch West Indies. If it is a question of only 400 or 500 tons of freight for Haiti being offered, they can accept that 400 or 500 tons, shutting out other freight, if they need to, because their steamers are destined to the Dutch West Indies. On the return trip exactly the same situation exists. They start from the Dutch West Indies with a cargo, and if there is any traffic offered in Haiti, they pick it up. If the Royal Dutch Line just went to Haiti and did not depend upon the Dutch West Indian traffic, it could not continue to operate in that trade but a very few months, because its losses would be enormous.

We are in exactly the same situation as the Royal Dutch Line, and the only reason we are able to compete with the Royal Dutch Line is the fact that in our steamers we have the nucleus of a cargo to the Canal Zone. Ordinarily, our steamers that stop at Port au Prince will have on board not exceeding 400 tons of freight for Port au Prince. When our steamers stop at the minor Haitian ports, leaving New York, they have on board for those minor Haitian ports less than 800 or 900 tons of freight, and if we depended on that alone we would become bankrupt; we could not operate in the business. But we have on these same steamers the nucleus of a cargo to the Canal Zone, and we are able to handle the Haitian business at a profit, simply because we have that nucleus of a cargo to the Canal Zone in our steamers.

It does not seem fair to say to the Panama Railroad Steamship Line that, after having developed this Haitian traffic in competition with the Royal Dutch Line, and having given the merchants of Haiti a service they have never had since the Atlas branch of the Hamburg-American Line was discontinued, we ought to be driven out of Haiti simply because the Clyde Line bought up the good will and business of the Rapoerl Line, and are now being furnished with steamers by the Shipping Board. If the Shipping Board had encouraged us in our Haitian operations to the extent that they have encouraged the Clyde Line in their competition with us, there would be a big difference in the operations of the Royal Dutch Line at present in the carrying of American traffic to and from Haiti. We would be a very much more important factor in the carriage of this traffic. At the present time the Royal Dutch Line is the important factor in the handling of American traffic to Haiti and from Haiti to the United States, and we are losing business every day because the propaganda has reached the merchants of Haiti that the Panama Line is to be pulled out of Haiti. That has been intimated, suggested, and promised for the past year, and shippers are commencing to be afraid to forward goods by our line; they are shipping their goods partly by

the Royal Dutch Line, for fear that if we are pulled out of Haiti for any reason they will have the Royal Dutch Line to fall back on.

Mr. EDMONDS. Is not that occasioned by the fact that the Marines are going to be withdrawn from Haiti?

Mr. ROSSBOTTOM. No; I do not believe the Marines will ever be withdrawn from Haiti.

Mr. EDMONDS. I believe the order was issued the other day.

Mr. ROSSBOTTOM. That refers to Santo Domingo. The minute the marines are withdrawn from Haiti there will be 1,000 Haitians killed, and the President will be the first one killed, because those people can not govern themselves.

Mr. EDMONDS. Does the Clyde Line run their line direct from New York to Haiti?

Mr. ROSSBOTTOM. I do not know at what ports they stop previous to stopping at Haiti. I know they have been going down the east coast to Cartagena and Puerto Colombia. I do not know at what other ports they do stop.

Mr. HARDY. What was the moving impulse that caused the Clyde Line to want to get into that trade after you had started it up?

Mr. ROSSBOTTOM. I do not know, except the rumors that have been prevalent in shipping circles. These are the rumors that I heard—I do not know what truth there is in them, but I think there is something in them—as I stated this morning, this Raporel Line—controlled by the firm of Rafael & Co.—owed the Shipping Board a large sum of money, close to half a million dollars, and the Raporel people were given a certain length of time by the Shipping Board to pay up that money. They induced Mr. Raymond, of the Clyde Line, to pay the debt for them, and in return for that payment the Clyde Line took over the Raporel outfit. That is the rumor we have had in shipping circles in New York for months. I do not know just what truth there is in it.

Mr. HARDY. Were the Raporel people maintaining this service when you entered it?

Mr. ROSSBOTTOM. No; they were not. The Raporel Line, as I stated this morning, was a firm of commission merchants which chartered foreign steamships, principally of Norwegian registry, to carry their own freight from New York to the different ports in Haiti. When they had room in those steamers for the freight of other merchants they accepted it, but the other merchants would not forward by those steamers if they could avoid it; they gave preference to the Royal Dutch Line.

Mr. BRIGGS. How many passengers are you accustomed to carry between the United States and the Canal Zone?

Mr. ROSSBOTTOM. I can give you that. Our tariff rate at the present time between New York and the Canal Zone is \$100. Our tariff rate between New York and Haiti is \$75. Most of our passenger traffic consists of employees of the Panama Canal, officers of the Army and Navy stationed in the Canal Zone, also employees of the Navy Department stationed at Haiti, and their families. We receive for their first-cabin transportation \$20, if they were employed by the Government previous to 1909, I think it was, and \$30 if they were employed after 1909. Those rates are supposed to be the actual cost of subsistence, so that we really furnish transportation without charge.

Mr. HARDY. Does that include food?

Mr. ROSSBOTTOM. Oh, yes; transportation and food. I can give you the exact number of passengers. Suppose we start with 1916. In 1916 we carried to the Canal Zone 4,916 passengers, of which 481 were tariff, and the remainder of them were employees. In 1917 we carried 4,235 passengers, of which 473 were tariff passengers.

Mr. BRIGGS. That is, by tariff you mean they paid the full passenger fare?

Mr. ROSSBOTTOM. They paid the full passenger fare. In 1918 we carried 3,671 passengers, of which 472 were tariff. In 1919 we carried 5,932 passengers, of which 852 were tariff. So far this year we have carried 4,668 passengers, of which 98 were tariff and the rest of them were employees.

Mr. CHINDBLOM. By this year you mean for the year ending June 30?

Mr. ROSSBOTTOM. Yes.

Mr. CHINDBLOM. What was it for the next year?

Mr. ROSSBOTTOM. That is up to the end of May. I have not the June figures yet.

In 1917 we carried to Haiti 127 passengers. We started in the latter part of 1917 and we carried 127 passengers, of which 71 were tariff. In 1918 we carried 255 passengers, of which 164 were tariff. In 1919 we carried 502, of which 382 were tariff. In 1920 we carried 849, of which 364 were tariff. There has been an increase, you will notice, in the number of tariff passengers we have carried to and from Haiti in the past two years. That is due to this fact: The merchants of Haiti are colored, but they receive first-class transportation and first-class treatment when they travel on the steamers of the Royal Dutch Line. They are important shippers and they are important people in their country, and they should receive every consideration, for which they are quite willing to pay. When the steamers of the Royal Dutch Line are operating in the Haitian trade, we do not get any of those Haitian tariff passengers. The canal employees are white, and white people make it rather uncomfortable for these colored people, so that they feel they are discriminated against; in fact, they are. The result is that the tariff passenger traffic between New York and Haiti is carried by the Royal Dutch Line. During the last two years the Royal Dutch Line has not been operating passenger steamers, but only freight steamers, and for that reason in 1919 practically one-half of the number of passengers we carried to Haiti were natives of Haiti, and that means persons of color. The Royal Dutch line is starting in this month—

Mr. EDMONDS. Do you give them first-class service?

Mr. ROSSBOTTOM. Exactly the same service, but the other passengers, of course, will not mix with them and by various ways make it rather uncomfortable for them. That is not the condition that exists on the Royal Dutch steamers. They make everything pleasant for them, because they realize they have money and they have business, and they cater to it. We want to cater to it, too, but we can not change our passengers.

Mr. EDMONDS. You had two other steamers there that you did not give us. What are you using on the Pacific coast, the *Ernst*?

Mr. ROSSBOTTOM. On the route to Guayaquil we use the *Ernst* and whichever one of these other steamers is available, usually the *Hodges* or the *Advance*. If we can not put the *Hodges* in, we will put the

Advance in. We switch them around. We do not attempt to keep any one steamer on any particular route.

Mr. EDMONDS. Do you run them out from Cristobal or Balboa?

Mr. ROSSBOTTOM. No; we run these steamers from New York to the Canal Zone.

Mr. EDMONDS. All the way down?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. You pay tolls just the same as the other steamers?

Mr. ROSSBOTTOM. Exactly the same.

Mr. BRIGGS. Do you have an agency force in Haiti?

Mr. ROSSBOTTOM. Yes; we have an agent at each port. He is one of the merchants, and we pay him a commission on the amount of business he turns over to us.

Mr. BRIGGS. You do not maintain any office?

Mr. ROSSBOTTOM. The only office we maintain is at Port au Prince, where we have a general agent, a claim agent, a stenographer, and a file clerk.

Mr. BANKHEAD. Is there a uniform rate of agency commission charged by the representatives of the different lines?

Mr. ROSSBOTTOM. Yes; we pay the same. It is usually 5 per cent.

Mr. EDMONDS. You do not have a port captain, a port steward, and a few other "fancies" that we have around here?

Mr. ROSSBOTTOM. We can not afford it. It would not be good business anyway to have them.

Mr. HARDY. You have somebody who represents the interests of your company and tries to keep up the business of your line at all the ports?

Mr. ROSSBOTTOM. At every port where our steamers stop we have an agent.

Mr. BRIGGS. All your steamers are combination passenger and freight steamers?

Mr. ROSSBOTTOM. All except the *Hodges* and the *Ernst*. They are purely freight steamers. They were passenger steamers when they were owned by the Hamburg-American line. We bought these steamers from the Shipping Board. They were steamers that were seized by the War Department at the outbreak of the war, and we purchased them from the Shipping Board. Under the German law those steamers did not carry anywhere near the crew that we have to have on them now under the American law.

Mr. HARDY. Have you any oil burners?

Mr. ROSSBOTTOM. Yes; we have the *Cristobal*, the *Ancon*, the *Achilles*, and the *Ulysses*.

Mr. HARDY. How many members are in the crew of the *Ernst*?

Mr. ROSSBOTTOM. I think about 58.

Mr. HARDY. The *Hodges* has a little less?

Mr. ROSSBOTTOM. The *Hodges* has a little less. The *Hodges* has about 51.

Mr. HARDY. Do you know how many you have in the deck crew of the *Ernst*?

Mr. ROSSBOTTOM. You mean just the sailors?

Mr. HARDY. No; what is called the deck crew, of which, under the law, you have got to have 65 per cent able seamen?

Mr. ROSSBOTTOM. Well, I think we have on the *Ernst* either 9 or 10 sailors.

Mr. EDMONDS. What is the crew, did you say, on the *Ernst*?

Mr. ROSSBOTTOM. The *Ernst*, I think, has 56. She is a freight steamer.

Mr. EDMONDS. But I understand the Shipping Board do not have but 53 men on a 9,000-ton steamer. I think you must be mistaken on that.

Mr. ROSSBOTTOM. I have the figures, and I think it is pretty near right, because on all of our steamers we have to carry two wireless operators, and we would not be required to do that if we had less than 50. They are coal burners. If they were oil burners we could reduce that number about eight or nine.

Mr. BRIGGS. About 75 per cent of the Shipping Board vessels are oil burners.

Mr. HARDY. You could reduce the number eight or nine if you had oil burners?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. Suppose you look them over and tell us how many you have in the crew, how many in the deck crew, and how many of those are able seamen, and give their individual operations last year.

Mr. ROSSBOTTOM. When these steamers were in the Hamburg-American service the *Ernst* carried 18 passengers and the *Hodges* carried 11. The minute they were taken over by us we, of course, had to increase the crew according to the American standards, and the crew gobbled up all the passenger quarters, so we can not carry any passengers on the *Ernst* unless we induce the second officer and the third officer to bunk together.

Mr. EDMONDS. You have the right to carry passengers on those boats now under the Jones Act?

Mr. ROSSBOTTOM. We have the right, but we have not the space, because all the space is occupied by the increased crew that we have to carry, as compared with what the Germans carried.

Mr. EDMONDS. It strikes me that you have a very strong crew on that boat, even though it is a coal burner.

Mr. BRIGGS. I suggest that in discussing your crew you put in the number of coal passers, etc.

Mr. ROSSBOTTOM. We would have to put on the number of coal passers and firemen that are fixed by the unions, not by us. The operator nowadays has to put on the number of firemen the union fixes, not what he figures. For instance, at the present time we have to put on our firemen on the basis of a fireman taking care of four ordinary fires or three forced-draft fires—

Mr. BRIGGS. How long do they work on each watch?

Mr. ROSSBOTTOM. Two hours. We used to work those steamers on the basis of a fireman taking care of four forced-draft fires and five, sometimes six, natural fires, but you can not do that any more.

Mr. CHINDBLOM. The fireman could do it if he was permitted to?

Mr. ROSSBOTTOM. Easily. For instance, we have, I think, 16 fires on the *Colon*, and that would mean that five firemen to a watch would take care of 15 fires. Those firemen will not take care of 16 fires. We have to use an extra fireman to take care of 16 fires, and they could take care of 18 fires just as well. That is one of the union conditions that was enforced upon us about two or three years ago.

Mr. HARDY. It is not a question of law; it is a question of trying to do something.

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. Is it a fact that the ordinary repairs that could be done at sea are refused to be done by the engineers and the machinists on board?

Mr. ROSSBOTTOM. That situation has changed very materially during the past eight months. During the war and up to eight months ago we could not get our engineers to do any repair work at all. We could not even get the engineers to take down parts of the machinery because of some understanding between the engineers' union and the machinists' union that machinists should come on board and take it down and repair it and put it back, and our operating costs, as far as the engine department was concerned, jumped up something like 45 per cent over what they should be. But as soon as the men found out that conditions were changing and a number of engineers were out of employment they started in to undertake their own repairs, and they are doing a whole lot of it now.

Mr. EDMONDS. I saw a list of repairs that any decent, self-respecting engineer would have been ashamed to ask anybody on shore to do for him.

Have you had any trouble from the insubordination of the seamen since the seamen's act was passed?

Mr. ROSSBOTTOM. No; because we have had captains who used very good judgment. We fine them as far as they can be fined, but these sailors are all sea lawyers; not one of them ever gets up to the point of mutiny. He gets just to within about 3 or 4 inches of the line and then he stops. He never refuses to work; he never actually refuses to obey a lawful command. When he gets right up to it he is either sick or he does it in such a way that he does not accomplish anything.

Mr. BANKHEAD. You have not had any complaint from the captains on account of their inability to enforce discipline under the seamen's act?

Mr. ROSSBOTTOM. Not lately. Up to within seven or eight months ago we did. Captains of American ships have not been the boss of those American ships for the past three years. The sailors, the firemen, and the coal passers have been the bosses, and the captain has been just a sort of representative of the owner and has guided the ship. That situation however, is being changed rapidly. The failure of this engineers' strike is in my opinion going to do more toward enforcing the discipline of the captain than anything that has happened in many years.

Mr. EDMONDS. Let me ask you another question in regard to that. You lay over generally at Colon seven days?

Mr. ROSSBOTTOM. From five to seven days.

Mr. EDMONDS. The law requires that a man shall get his money every five days. How does that affect your leaving port when you want to come home at the end of seven days? Have you had trouble getting your crews together on board?

Mr. ROSSBOTTOM. Always. The Canal Zone is dry, and Colon, just across the street, is wet. These men come to the captain and demand an advance on the fifth day; they immediately go off and get drunk. I do not think we have had a ship sail from the Canal Zone

in the past four years with exactly the same crew that arrived at the Canal Zone. From 2 to 12 men were either in jail on account of being drunk or disorderly or had deserted, because they could not be found, or laid up suffering from venereal disease and we had to pick up extra crews at the Canal Zone. That situation has not been as bad in Haiti because of the advances by the captain, as because of the fact that rum flows rather freely in Haiti, and the men go ashore, get drunk, and disappear; we have to sail short-handed very often from Haiti and bring the men home on the next steamer.

Mr. EDMONDS. Do you bring those men home on the next steamer?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. Who reimburses you for that?

Mr. ROSSBOTTOM. Nobody.

Mr. EDMONDS. Why do you bring them?

Mr. ROSSBOTTOM. The Haitian authorities turn them over to us; and they claim they have no funds; that they were left in the country by us; and that we must take them out or we can not get clearance for our ships.

Mr. EDMONDS. Do you bring home American citizens only, or do you bring home Englishmen or anyone else you pick up?

Mr. ROSSBOTTOM. Anyone of the crew who lands from the steamer at a Haitian port we have to bring home. The Canal Zone authorities do the same thing with us.

Mr. EDMONDS. Why do they force you to bring home anybody but an American citizen?

Mr. ROSSBOTTOM. They do it on the theory that we brought him into the country, and had no right to do it; and the law requires that he shall be deported by the same steamship that brought him there.

Mr. CHINDBLOM. You are not giving any preference to an American that is drunk?

Mr. HARDY. I think we do the same thing. If a steamship brings a man here that is not entitled to land, we make the same ship carry him away.

Mr. ROSSBOTTOM. Here is the worst of that. The courts have decided that an alien seaman coming into the United States suffering from a loathsome or contagious disease shall be treated at the expense of the steamship company and returned to the country from which he came. We sign on at New York seamen, firemen, and coal passers who were born abroad. They are in good physical condition because we have everyone of them examined by the ship's surgeon. They go down to Haiti or they go down to the Canal Zone, and they are probably infected before they leave New York, and they come down with venereal disease. Those same men are logged, of course, because they are not able to perform any duty. They perform no duty for us, and they are not allowed to remain in the Canal Zone because they are suffering from the disease. Sometimes the disease breaks out on their return trip, and when those same seamen get to New York, even if they were signed on at New York; and notwithstanding the fact that they have probably been in New York for 8, 9, or 10 years, they are taken by the immigration authorities to a hospital and the steamship line pays the bill.

I remember one case of a British sailor who had been in the United States for seven years and had his first papers, who contracted a case of venereal disease on a voyage from the Canal Zone—that is,

it broke out three days before the steamer reached New York. He was taken to the marine hospital by the authorities and treated there, and we had to pay a bill of nearly \$200 for his treatment and \$2 a day for his board while he was being treated. It cost us about \$400 before we got through with it, and the only reason we had to pay it was because the sailor who had signed on at New York and had been in New York for years happened to be an alien. I think the Shipping Board is having the same trouble.

Mr. EDMONDS. Do you have to do that for American citizens or for aliens?

Mr. ROSSBOTTOM. Just aliens.

Mr. EDMONDS. Is there a law to that effect?

Mr. ROSSBOTTOM. There is a law to that effect.

Mr. DUFF. The act of December 6, 1920.

Mr. EDMONDS. What committee had this act passed?

Mr. DUFF. I do not remember whether it came out of this committee or not, but you have had it up.

Mr. EDMONDS. Have you got a copy of that law?

Mr. DUFF. I will send you a copy of it.

Mr. EDMONDS. Why do you not keep them on the ship and take them back where you got them?

Mr. ROSSBOTTOM. We are not allowed to. They are taken right off the ship.

Mr. BANKHEAD. What remedy would you suggest for that hardship to your company and other companies?

Mr. ROSSBOTTOM. I know the position that the Shipping Board has taken with the Department of Immigration is that the word "alien" was meant to apply to aliens first coming into the United States and not to seamen on American ships of alien birth who lived in the United States and who left the United States on an American ship and returned to the United States on the same ship. But the Department of Immigration would not see it that way.

Mr. BRIGGS. Undoubtedly that is what the intention of it was, and it is just their construction that has changed the act and brought about the hardship you suggest?

Mr. ROSSBOTTOM. Yes.

Mr. BANKHEAD. Do you have much trouble about members of your crew abandoning the ship in New York and not reporting for duty on the return voyage?

Mr. ROSSBOTTOM. Oh, yes; that is the regular practice that the American steamship operators suffer from right along.

Mr. BANKHEAD. There is not supposed to be any liquor sold in New York, and to what would you attribute that?

Mr. ROSSBOTTOM. We have an example recently of where the chief engineer and one of the assistant engineers signed articles before the shipping commissioner; worked around the boat for a day and when the ship was ready to sail disappeared. The steamer was held up two days in sailing. They are just following the regular practice of the American seamen; firemen, and coal passers—they will sign up and then disappear at the last moment and you have to scurry around and find men to replace them.

Mr. BRIGGS. Is that in connection with the strike?

Mr. ROSSBOTTOM. That is in connection with the strike. The only difference is that a licensed officer has not any right to do that,

and if he does do so the steamship company can file a complaint with the Steamboat-Inspection Service and have his license canceled or suspended; that is what we propose to do in this case.

Mr. EDMONDS. That is the regular practice as far as the firemen and coal passers are concerned?

Mr. ROSSBOTTOM. That is the regular practice of the firemen and coal passers, sailors, and unlicensed members of the crew; they know all you can do is to sue them for the damages you sustain, but you can not collect anything.

Mr. EDMONDS. Referring to this ruling of the Department of Immigration, the next time you have a ship come in and have an alien on it who gets a venereal disease down in Panama and who has taken out his first papers, do not pay any of his expenses; because under the law he is subject to all of our laws the same as an American citizen, and they can not force you to pay for that fellow, because he is actually an American citizen.

Mr. ROSSBOTTOM. But we get this kind of notice from the Department of Immigration: "Bill Smith, a sailor on your steamer, has arrived in port suffering from a venereal and loathsome disease. Your steamer will not be granted clearance until you sign a bond for something like \$200 to be responsible for his treatment." Of course, we pay no attention to it, hoping we might get through; but when we send the captain to the customhouse to get his clearance papers, we can not clear or sail our steamer until we either pay the hospital expenses in cash or furnish a bond guaranteeing their payment.

Mr. EDMONDS. Then put in a claim for reimbursement.

Mr. BRIGGS. These men you have to bring back from Haiti and other places down there, do you utilize them as members of the crew?

Mr. ROSSBOTTOM. As much as we can; but they won't work; you can not punish them and can not do anything with them; and they know it. There is not a sailor who travels on an American steamer but knows the law as well as or even better than the steamship operator; he knows just how far he can go, and he goes that far.

Mr. BRIGGS. I suppose they have become acquainted with the fact that ignorance of the law excuses no one.

Mr. EDMONDS. I am going to suggest, if Mr. Rossbottom has a number of reports there he wants to turn in to go in the hearings, we would be very glad to have anything you think would be of interest.

Mr. ROSSBOTTOM. I will furnish you with a copy of any statements I have which you think will be of interest.

Mr. EDMONDS. Your classifications are the same as the railroad classifications, aren't they?

Mr. ROSSBOTTOM. No. We have what they call the Caribbean classification, which the European lines and the American lines have practically adopted. They take a list of all the articles and then decide whether they go in class 1, 2, 3, 4, or 5, and then all follow the same classification. The only difference is in the rates. If you want to change the rate on a commodity, you just take it from one class and put it into a different class.

Mr. HARDY. You speak of the European and American classification, does that apply to your line also?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. You can not do that without the consent of all the lines involved?

Mr. ROSSBOTTOM. The European lines do not, but the American lines can do anything they want to.

Mr. EDMONDS. Can you change the class on a commodity if you want to?

Mr. ROSSBOTTOM. Yes, without questioning anybody, except we have a row with the Shipping Board.

Mr. BRIGGS. Do you file your tariffs with the Interstate Commerce Commission?

Mr. ROSSBOTTOM. No, with the Shipping Board. The local tariff across the Isthmus is filed with the Interstate Commerce Commission, but the steamship line is subject to the jurisdiction of the Shipping Board, and we file our tariffs with the Shipping Board. The real row we did have with the Shipping Board was because of bringing to their attention the difference between the rates the American shipper was charged and the rates the European shipper was charged, and urging that the rates from the United States be put on a parity with those from Europe; they declined to do it. They think really we were crazy in suggesting it. But it is not a question so much of steamship operation as it is a question of Government policy, of national policy, whether the American shipper should pay, for a haul 2,000 miles less than the haul of the European shipper, higher rates than the European shipper has to pay.

Mr. EDMONDS. Although, unfortunately, if you did reduce the rates you would increase your deficit?

Mr. ROSSBOTTOM. If we did decrease the rates we would increase the deficit; yet somebody is paying for losses of the European lines, or they would not do it.

Mr. BRIGGS. You think they get a kind of subsidy from their Government to cover that?

Mr. ROSSBOTTOM. They must; they can not continue to operate at a deficit, and they must be operating at a deficit at the rates they are charging. For instance, take the fourth-class rate. The present fourth-class rate from Liverpool and Southampton and all European terminal ports, to Central America, is \$15.40. The present rate from New York is \$22. Now, at \$22, the American lines can no more than exist and those European lines carry that same cargo 2,000 miles farther.

Mr. HARDY. Is there anything in the possibility that the European lines go better loaded?

Mr. ROSSBOTTOM. No; there is nothing in that.

Mr. HARDY. Because a question of cargo or no cargo makes all the difference in the world?

Mr. ROSSBOTTOM. Yes,

Mr. BRIGGS. How many of your vessels operate with oil for fuel?

Mr. ROSSBOTTOM. Four.

Mr. BRIGGS. What is the comparative cost of operation with coal as compared with oil?

Mr. ROSSBOTTOM. We have only converted four colliers—the *Achilles*, the *Ulysses*, the *Ancon*, and the *Cristobal*. We did that not so much on account of the question of economy, but on account of the trouble we were having with the firemen and coal passers. Those ships were constantly delayed and we could not get crews; we would sign up crews and then one would disappear and two would disappear and, to avoid that, we changed those vessels into oil burners at a time

when there was practically no difference between operating with coal and operating with oil.

The first change we have noticed is that we can not drive the firemen and coal passers away from these colliers now; they live there—the work is so much easier as compared with burning coal.

The second change we have noticed is that we have been able to reduce the fireroom crew on those steamers to, I should say, about 40 per cent. The third is that our boiler repairs do not amount to anything now; we have a steady fire in the boilers; there is no opening of doors and closing of doors and allowing cold air to hit the tubes and contract the tubes already expanded by the intense heat. We have no trouble of that kind and, at the same time, we can carry about 350 tons more of coal than we did before.

Mr. EDMONDS. What percentage is that—about 15 per cent more? It is not that much?

Mr. ROSSBOTTOM. No; it is a very small percentage with us, because our bunkers are located in the center of the ship and we could not devote the entire bunker space to cargo coal. They were not designed for that and we can not use that space for cargo coal; it is practically empty space.

Mr. EDMONDS. Take your *Colon*; if you used oil there you would increase her capacity from 10 to 12 per cent?

Mr. ROSSBOTTOM. I think we would increase it more than that on the *Colon* and *Panama*, because there would be a big difference in those vessels. We would put all the fuel oil in the double bottoms, and all the present bunker space on the lower deck; the upper and 'tween deck would be converted into cargo space.

Mr. BRIGGS. Why have you not converted more of your ships into oil burners, if you have had such excellent results?

Mr. ROSSBOTTOM. The trouble is it would cost too much. You have to make so many changes in the character of the vessel, unless it has been especially designed to burn oil. If the steamer has not sufficient double bottom capacity, you have to build tanks for the oil, and you have to strengthen your double bottom so that there will be no leakage of oil from the double bottom; and when we have to pay the rates we have been obliged to pay during the past three years for structural work and iron work, the cost is prohibitive; you can not afford to do it.

Mr. EDMONDS. In your force in the engine room on the oil-burning boat do you still have firemen?

Mr. ROSSBOTTOM. They are called wipers. They have firemen and call them firemen, but they just attend to the burners and you reduce the number of your firemen by about 75 per cent.

Mr. EDMONDS. What is the union schedule for firemen; how many fires can they take care of?

Mr. ROSSBOTTOM. I think they take care of 12 oil fires, but they just as easily could take care of 16 if they wanted to.

Mr. EDMONDS. You could take care of them all with one man, couldn't you?

Mr. ROSSBOTTOM. No; it would not be good judgment to have one man, because if something happened to one of the burners and the burner went out because of carbonizing, and just about that time a burner in another part of the steamer went out, and the firemen did not get around there quick enough to turn off the oil a dangerous situation might arise.

Mr. EDMONDS. You have to have one fireman to 12 oil fires instead of three?

Mr. ROSSBOTTOM. One fireman to 12 oil fires instead of three forced-draft fires of coal.

Mr. EDMONDS. It is quite an advantage.

Mr. ROSSBOTTOM. It is.

Mr. EDMONDS. And he is not working inside of the fireroom as hard as when he was shoveling coal?

Mr. ROSSBOTTOM. Oh, no; he has an easy job of it.

Mr. EDMONDS. He has an easy job?

Mr. ROSSBOTTOM. A very easy job.

Mr. BANKHEAD. Do they get the same pay that the stokers on the coal burners get?

Mr. ROSSBOTTOM. Exactly the same.

Mr. BRIGGS. Do you know of any foreign vessels that utilize oil burners in their service in this Caribbean-West Indian trade?

Mr. ROSSBOTTOM. I do not know.

Mr. BRIGGS. They are all coal burners?

Mr. ROSSBOTTOM. I do not know.

Mr. BRIGGS. So far as you know, all that touch around through the Canal Zone—you are acquainted with all those ships coming through there?

Mr. ROSSBOTTOM. No; the question of coal burners and oil burners I am not acquainted with. I know they used to be coal burners, but whether they have changed them or not, I do not know that.

Mr. BRIGGS. I want to ask you what supply of oil you consume a month, and the difference in cost between the oil this past year and what it cost you previously—what advance you have had to pay.

Mr. ROSSBOTTOM. The oil people will tell you that $3\frac{1}{2}$ barrels of oil are equal to a ton of coal. We have only had a limited experience as compared to some of the other lines; take, for instance, a European line that has had a number of steamers converted, such as the Cunard Line; but our experience is that four to four and a quarter barrels are equivalent to a ton of Pocahontas or New River coal.

Mr. BRIGGS. In that connection, it might be added that the amount of oil equivalent to a ton of coal to some extent depends on the character of the oil. You always use the highest grade of coal?

Mr. ROSSBOTTOM. We always use No. 1, Pool or Navy Standard, the highest grade.

Mr. BRIGGS. And if you used a lower grade you might find it required a greater number of barrels?

Mr. ROSSBOTTOM. Yes. At the present time we are paying \$1.15 a barrel for oil. That is purchased under a contract we made about two years ago and has about six months yet to go.

Mr. BRIGGS. You will have to pay considerably more than that after your contract expires.

Mr. ROSSBOTTOM. Oh, oil has been up to \$3.50 a barrel and I think it is now \$2.50 a barrel, or something of that kind. We made that contract at a time when oil was going begging around the street; nobody wanted it; they thought they had more oil than they were ever going to use and I thought that was a good time to make a contract with the Standard Co.; I think it has five or six months yet to run.

Mr. HARDY. It will get down to about where you bought it by the time your contract expires.

Mr. BANKHEAD. I assume you get your oil in New York and Norfolk, do you not?

Mr. ROSSBOTTOM. We fill up all our tanks at Norfolk, and we fill up again before we leave the Canal Zone. We bring our colliers back in ballast; the Caribbean Sea is sometimes extremely rough and all the tanks must be filled to make the colliers seaworthy.

Mr. BANKHEAD. You are not sending direct to Mexico for any of it?

Mr. ROSSBOTTOM. No. We have them fill up when they leave the Canal Zone—they fill up completely when they leave Norfolk and they arrive at the Canal Zone with more than enough to make the return trip; but for the safety of the steamer we have them fill up also at the Canal.

Mr. BRIGGS. Where are the Mexican ports to which these vessels ply? I notice here "Service to Mexico."

Mr. ROSSBOTTOM. That is the Pacific Mail Steamship Co.

Mr. BRIGGS. Oh, yes.

Mr. ROSSBOTTOM. The dotted line only indicates the service we operate. We have not entered on that map these other ports where the other lines touch.

Mr. BRIGGS. I just saw on the last page "Service to Haiti, Mexico, Central and South America," and was wondering what the Mexican ports were.

Mr. ROSSBOTTOM. That is transshipment from the Canal Zone. That map does not indicate the different countries of Central America; they are all named "Mexico." Our object is to show the particular ports at which we touch—Cartagena, Puerto Colombia, Buenaventura, Esmeraldas, Bahia, Manta, Guayaquil—and the ports in Chile and Peru.

Mr. EDMONDS. Going back to the matter of the payment for the treatment of aliens in the hospital, has that been quite frequent over there in New York in regard to these sailors?

Mr. ROSSBOTTOM. A regular thing.

Mr. BRIGGS. How much expense have you incurred in that connection, approximately?

Mr. ROSSBOTTOM. I should judge that has cost us \$2,000.

Mr. EDMONDS. If that man has taken out his first papers, they can not enforce it under that act.

Mr. BANKHEAD. Have you tested it out to see if you have to pay on aliens sailing from New York?

Mr. EDMONDS. I would make a test case and try it out. If you will look at the navigation laws, you will find a man who has taken out his first papers shall be entitled to all privileges and rights of a citizen of the United States.

Mr. BRIGGS. But still, on a technical construction, he is an alien until he has gotten his final papers.

Mr. EDMONDS. At the same time, the law says he shall be entitled to all the benefits of the laws of the United States; therefore he would have the same status as a citizen of the United States.

Mr. HARDY. This statute being later, would control the former law.

Mr. EDMONDS. I do not think so.

Mr. DUFF. If I might say a word in that connection, the regulations to enforce that new law were promulgated about the 15th day of last month, after the Shipping Board had had some contention with the Bureau of Immigration on the ground that it should not apply to aliens shipped from an American port on an American steamer; and my recollection is that in the debate on the floor of the House there was a good deal of confusion. But if you will read that, it is pretty difficult to draw any other conclusion than it was intended to apply only to aliens coming to the United States from a foreign port who were found to be diseased, and if they had to have hospital treatment it should be at the expense of the steamship company and then they should be returned to the port from which they came. The Immigration Bureau took a different view of the case and recently, in discussing it with their law division, they have encouraged a test case to be brought; because they feel just as this committee seems to feel, that it never was intended to apply to the case of an alien who was shipped from an American port on an American steamer and may have been diseased before we shipped him, and then when we bring him back we are up against a hospital expense of a good many hundreds dollars, sometimes. But it is simply a recent occurrence, in that the regulations have just been promulgated.

Mr. HARDY. The provision that the alien shall be returned at the expense of the vessel: Returned where, if he started from this country? Evidently it is intended to apply to an alien brought in from some other country. I believe if the courts ever get hold of it that is what they will hold; but there has hardly been time for that, because it has only been in force since last December?

Mr. ROSSBOTTOM. About five or six months.

Mr. HARDY. Is there anything else you wanted to say?

Mr. ROSSBOTTOM. The only thing I want to take up now is the question of this bill; that any contemplated extension of service by the Panama Steamship Co.—that is, the Panama Railroad Steamship Line—shall be submitted to the Shipping Board for approval. That means that the extensions of service we have made to Haiti, to east coast Colombian ports and to west coast ports of Colombia and Ecuador to Guayaquil shall be submitted to them for approval, and all extensions of service made by this company, since in the control of this Government, shall be approved of by the Shipping Board or discontinued.

If that question had been submitted to the Shipping Board up to the time the new board was appointed, I know what would have happened; we would have been put out of business, because the Shipping Board has been gunning for us for the past two years, and would have been tickled to death to get authority of this kind that would put us out of business.

Now the question is, Should we be put out of business? Of course, that is up to Congress to determine. So far as the officers of the company are concerned, we have to obey orders. If it is the policy of Congress to put us out of business, we will have to obey Congress; but I think we can give enough reasons to the committee for the committee to realize there is no reason why we should be put out of business. There is no disposition on the part of the Panama Railroad Co. or the officers or any employee to interfere with the operations of the Shipping Board. We have complied with

every suggestion they have made to us; we have cooperated with them to the fullest possible extent, and I do not know what they have against us—I can not understand why they have this feeling against us.

Mr. EDMONDS. Understand this was not written at any request of theirs. I wrote this myself, just to bring this thing to a head. I read about it in the papers and in the Journal of Commerce and said if there is this trouble it should be brought to a head; and then there should be some authority in the Government that could at least prevent you and the Shipping Board boats from conflicting with each other.

Mr. ROSSBOTTOM. There is no doubt about that.

Mr. EDMONDS. And that you should not extend your lines to interfere with the present lines whose services are satisfactory.

Mr. ROSSBOTTOM. Yes. If our purpose is to compete with other American lines, as the newspapers have indicated, and to extend our service to ports all over the world where American steamships are operating, we should be stopped; but we have no intention of extending our service, or going into other ports, or competing with other established American lines, or doing anything to which the Shipping Board could reasonably object.

Mr. BRIGGS. As I understand, you made your extension, stopping at Haiti, at the instance of the Secretary of War?

Mr. ROSSBOTTOM. I believe it was at the instance of the Secretary of State originally.

Mr. BRIGGS. And the other extension on the west coast—

Mr. ROSSBOTTOM. On the east coast of Colombia to Cartagena and Puerto Colombia; instead of transshipping we now operate a steamer once a month from Cristobal and back again, and then the extension to Guayaquil. As far as the extension to Guayaquil is concerned, we never would have extended our service to that port had it not been for the fact that the Pacific Steam Navigation Co. took away that business and turned it over to their line.

Mr. BRIGGS. That is the English concern?

Mr. ROSSBOTTOM. That is the English concern.

Mr. EDMONDS. Where is their main operation—London?

Mr. ROSSBOTTOM. London. And if that same company should to-day turn over the same business it heretofore turned over to us, instead of turning the traffic over to their lines, there would be very little justification for our operating down there. All we want is our share of the business to New York and from New York.

Mr. BRIGGS. The official designation of your line is the Panama Rail Road Steamship Line?

Mr. ROSSBOTTOM. The Panama Railroad Steamship Line. That same question of extension of our line came up with former Secretary of War Baker a year and a half ago. Mr. Baker's idea was that we should extend our line throughout the Caribbean and along Central and South America, because he realized that American traffic was in the hands of foreign lines. We had difficulty persuading him that we should not do it at that particular time. We received orders from him once to extend our service to Porto Rico to relieve a passenger and freight situation that seemed to be serious, but we convinced him it should not be done.

Mr. EDMONDS. It came up in 1914 when the war started, also. Mr. Drake came down here and he made a very good witness, and that is the time I proposed building and putting 20 steamers on your line. We were absolutely out of South America, and it was proposed to put the *Colombia* and *Minneapolis* in that service to South America that could only carry 500 tons of freight, and it would have cost you nearly \$500 a ton to have carried it; and I put in a bill to build 20 steamers and put them in your line, because the war looked as if it were going to continue, and it did not look like anybody else was going to build steamers over here.

Mr. BANKHEAD. What did you have in mind by "any contemplated extension of service?"

Mr. EDMONDS. The charge made in the *Journal of Commerce* and by different parties was that the Panama Steamship Line was gradually extending its service all over the Caribbean Sea, to the West Indies and down along the west coast and also the north coast of South America, and it would only be a question of time, if they should gradually keep on and take in another line, another line, and another line, when all the facilities down there would be in their hands. And I felt this way about it in writing the bill, that if we are going to have three or four of these different Government facilities operate, there must be one head to it; in other words, it is absolutely silly for the Government to keep two different departments working against each other if they are going to build up any service—it would be impossible to do it. It would simply be a case of continuous loss. Now, I say that any continuation or extension, any other extension, of service should be submitted to the Shipping Board; for the Shipping Board to then say "Here is a service we agree with you ought to be done, or we agree with you it ought not to be done, because they are already receiving it and you ought not to do any of this service."

Mr. BANKHEAD. Are you contemplating an extension of service at the present time?

Mr. ROSSBOTTOM. Not for a year and a half back.

Mr. BANKHEAD. And have made no effort?

Mr. ROSSBOTTOM. No; we have made no effort. All of our extensions of service were dreams of the newspapers, the *Journal of Commerce*, the *Marine Journal*, the *Tribune*, *Nautical Gazette*, etc.

The CHAIRMAN. The best point about it is, The capital put in here is Government capital, and it comes in competition with other people, to destroy established lines. They can not establish lines and compete with the Government furnishing the capital without any charge for interest or anything else—overhead charges, depreciation, or anything else. That advantage which goes to the Government established lines will destroy the merchant marine very soon.

Mr. EDMONDS. Just take the Haiti situation. At the present day you have a line running there and the Clyde Co. has a line running there, and the Clyde Co. is operating Shipping Board ships.

Mr. ROSSBOTTOM. They started in competing with us.

Mr. EDMONDS. There is only enough work there for one line. We have the evidence in the testimony that only one line can be operated there profitably, either to be operated by you or the Shipping Board, and what is the use of running two Government lines at a loss. And that is what you are doing.

The CHAIRMAN. And the loss comes out of the Treasury of the United States, without any advantage to the country.

Mr. EDMONDS. That is absolutely a situation that would not be possible for a minute under the English Government.

Mr. BANKHEAD. Does not the Clyde Line carry passengers?

Mr. ROSSBOTTOM. No.

Mr. BANKHEAD. They just operate cargo steamers?

Mr. ROSSBOTTOM. Lake type steamers. If the Shipping Board had helped us to the extent they have helped the Clyde Line, it would be American instead of foreign control of that trade to-day.

Mr. BRIGGS. What do you mean by to the extent they have helped the Clyde Line?

Mr. ROSSBOTTOM. They have turned over steamers to the Clyde Line to operate in competition with us; the Shipping Board pays the bills and that competition increases our deficit. Then the constant propaganda against the Panama Railroad Co., because of being in the Haitian traffic, and we were there three years before the Clyde Line ever dreamed of going there.

Mr. HARDY. Don't you think if a mistake was made, it was made after this Government activity had gone in and established something that is helping them bear expenses and avoid a deficit in the operation of the Panama Line? Don't you think the mistake was made in starting another Government enterprise?

Mr. EDMONDS. It is evidently a mistake to have two Government lines doing the same thing.

Mr. HARDY. Let us grant that; but who is at fault? The Panama Steamship Co. was induced largely by Government necessities to go out and serve that interest and to establish a trade and to help us drive the German or Dutch business out of it, and now you turn around and want to murder your own activity.

Mr. EDMONDS. But do not forget you were just as enthusiastic as I was in the original shipping bill and you were putting it over along with me, and I helped you to put it over, and in that we said that all supervision of the shipping of the United States should be in the hands of the United States Shipping Board. Somebody had to head this thing somewhere.

Mr. DAVIS. A mistake has been made. I am not talking about whether there ought to be a head; I think there ought to be and I was just going to ask that question if it had not necessarily to have a head. But since it has come to us the service is already established. Might we not properly change this bill and make it apply only to the future?

Mr. EDMONDS. That is possible, and it might be the right thing to do.

Mr. DAVIS. Because if we think this service is being conducted now by an instrumentality of the Government that is making money instead of losing money, why not let the company that has opened up that traffic, that has saved our commerce there, continue and let the Clyde Line go somewhere else, if they are both Government activities?

Mr. BANKHEAD. Is the Clyde Line operation exclusively a Government activity?

Mr. ROSSBOTTOM. Oh, no.

Mr. BANKHEAD. As I understand it, they bought some of these vessels outright from the Shipping Board?

Mr. ROSSBOTTOM. I do not know about that; I do not think they have.

Mr. BANKHEAD. I will bet they are not operating any vessels they bought in this service here.

Mr. BRIGGS. Do you know whether they operate those vessels under operating agreements or bare-boat charters?

Mr. ROSSBOTTOM. I do not know definitely. My impression is they are operating under an operator's agreement. These steamers are operated at a heavy deficit—they can not help it. The Shipping Board is paying the deficit; and that competition deprives our steamers of the traffic.

Mr. HARDY. They are operating them so that they can not lose anything.

Mr. EDMONDS. In other words, you are running two services, both of them losing money, because you can not help losing money if there is only enough business for one service.

Mr. BANKHEAD. The Panama service is not losing money.

Mr. EDMONDS. The Panama service is losing money, because they lost \$260,000 last year.

Mr. ROSSBOTTOM. Every American steamship line is losing money to-day, and we are not the exception.

Mr. EDMONDS. Surely, but they are not any worse off than anybody else. At the same time, just see the silliness of the situation, which must look ridiculous to everybody in the world, to see two Government activities competing with each other. They will say, "My Lord, haven't they enough to do in fighting foreign lines without fighting among themselves?"

Mr. HARDY. Don't you think it is a fine idea to let us have the manager of that line up here and see whether they have been at fault, or the Shipping Board?

Mr. EDMONDS. I think it has been very helpful to have Mr. Rossbottom give us his testimony.

Mr. HARDY. I think a heap of the Shipping Board, but I think they have made a great mistake if they are now running another line in competition with a line that already exists and at the expense of the Government.

Mr. EDMONDS. I hope you think a heap of the Shipping Board. I will go that far with you.

Mr. ROSSBOTTOM. On the question of the policy of extending the service, I would like to make reference to what happens at Porto Rico. The Secretary of War received a number of complaints from the merchants of Porto Rico and also from the chambers of commerce, to the effect that the Porto Rican Line was not taking care of the traffic between the United States and Porto Rico; that hundreds of passengers were stranded there, among them a number of school-teachers. There were attached to the communication letters from the chambers of commerce of Porto Rico and from the big shippers, calling attention to the Panama Line and the advantages to American trade of having it operate to and from Porto Rico. The Secretary of War was very much impressed by the evidence presented to him, and he directed us to operate our line to Porto Rico. I came here to Washington to see the Secretary of War and had a long interview with him. I explained to him I thought that was a very dangerous policy for the Panama Steamship Line to embark upon; that the New York &

Porto Rican Line, an all-American steamship line, had been in operation for a number of years, and if we started in to compete with every American steamship line Congress would not stand for it nor would the American public, and that it was a bad policy; that if the Porto Rican Line was not giving a reasonably satisfactory service, if he would just let us call up the Porto Rican Line and explain the situation to them and tell them if they did not furnish the necessary service we would be forced to do so. I thought they would increase their service. After considering the question he gave me that authority. I reported to our vice president, Mr. Drake, and he immediately telephoned Mr. Mooney, president of the Porto Rican Line, explained the situation, and told him that we would be forced to go in the Porto Rican business if the Porto Rican Line did not handle the situation. Mr. Mooney thanked us for calling him up, went ahead, and apparently corrected the trouble, because we never received further instructions to go in there.

Mr. EDMONDS. And then the Army transport went down and brought the school-teachers back.

Mr. ROSSBOTTOM. We were deluged with letters from Porto Rico, urging that we extend our service to that country, because it was so necessary for the development of the commerce of the country.

Mr. EDMONDS. They have two lines running there, have they not—the Porto Rican Line and the Bull Insular Line?

Mr. ROSSBOTTOM. The Bull Insular Line and the New York & Porto Rico Line.

Mr. EDMONDS. Two first-class lines?

Mr. ROSSBOTTOM. Yes.

Mr. HARDY. Mr. Bean, would you care to ask any questions of the manager?

Mr. BEAN. He has covered the matter so thoroughly there is not anything further that appears to me just now to be brought out.

Mr. BANKHEAD. I would like to ask Mr. Bean a question, namely, to state the facts in reference to the commencement of the operation of this Clyde Line into Haiti.

Mr. BEAN. I should be glad to state what I know about it. The Raporel Line, as I remember it, had six ships assigned to them for operation by the Shipping Board. It is possible they may have purchased one ship or made the initial payment on one ship; but as to that I should want the opportunity to correct it. They were running a service down to Haiti and they did get into financial difficulties with the Shipping Board and it so happened that it came to my attention. I sent for the officers of the line and explained what I had discovered—the report that had come in—and, as a result, a week later they came down with Mr. Raymond and his counsel, and Mr. Raymond said that he would assist them in straightening out their financial difficulties provided we would continue to assign those ships for operation in that territory to the Clyde Line—to one of his lines. And that was, of course, part of the condition of his taking over their liabilities.

Mr. BANKHEAD. They owed about a half a million dollars, did they not?

Mr. DEAN. That is correct. Shortly after that—the first thing that came to my attention was when I was informed that the Panama Railroad Steamship Co. were cutting rates; that they were not living up to the rate which was fixed by the Shipping Board or by the con-

ference. My recollection is at that time they were not members of the conference. On investigation, what then developed was this—this is sometime ago and this is my recollection of it—that they had booked certain cargo at the going rate; that the conference and the Shipping Board determined on a different rate, or it issued a new rate. The Panama people were dealing with their old customs, and this rate was fixed before their attention was called to the fact that the new rate was in operation; hence they carried the cargo and went on. They then offered to come into the conference and offered to abide by the rates which the conference might fix. I think they are in one conference, and my recollection is that the operators objected to their going into the other conference. Am I correct?

Mr. ROSSBOTTOM. That is right.

Mr. HARDY. You mean the other members of the conference objected?

Mr. BEAN. Yes; the other members of the conference objected to their coming into the conference. There has been a great deal of dispute and discussion about this matter, and Senator Calder, when the Jones bill was before the Senate, attempted to amend the bill in such a way that it would restrict the operation of the Panama Railroad Steamship Co. That amendment was defeated on the floor of the Senate.

At that time, representing the Shipping Board, I did not feel I was sufficiently informed as to all the facts of the case to advise just what action should be taken. I think it is most fortunate you have had this hearing to-day and you have the story of the Panama Railroad Steamship Co. For my own part, I shall go back to the Shipping Board and advise the new commissioners when they deal with the Panama situation by all means they should get in touch with this witness and should read over this testimony. Of course I think the Shipping Board should also hear from the Clyde representatives themselves, as to their efforts to establish a service there in Haiti, and the reasons they have for believing they should be encouraged rather than this line.

Mr. EDMONDS. At a later date we are going to have them down here.

Mr. DEAN. Of course, I assumed you would, and the other side of the story should be told.

Mr. HARDY. I think that is true, and I want to ask, in connection with that, if your participation in that Haitian trade should be cut off, what net revenue would be taken away from your earnings, if you can give us an estimate along that line.

Mr. ROSSBOTTOM. If we should be deprived of the Haitian traffic, we would lose the haul, in the course of a year, based on 1919 statistics, of 40,000 tons of freight.

Mr. HARDY. That is for 1919?

Mr. ROSSBOTTOM. Yes. Based on the 1920 statistics, we would lose the haul of 57,000 tons of freight.

Mr. BANKHEAD. To what does that amount in dollars?

Mr. ROSSBOTTOM. I should judge the average rate on Haitian freight would be around \$10 a ton. Based on the statistics for the first four months of 1921—that is, January, February, March, and April—we would lose the haul of 14,000 tons for the first four months. For the first four months of 1921 we carried 14,000 tons of Haitian

freight; that is, we carried 6,690 tons of freight from Haiti to New York and 7,899 tons from New York to Haiti.

Now, depriving us of the Haitian traffic would result in this: We would have to operate between New York and the Canal Zone; to take care of the requirements of the Panama Canal, the Army, and Navy, and also the employees, we must operate the same number of steamers that we now operate. In four months we would lose the haul outward of 7,899 tons, or probably 27,000 or 28,000 tons a year, outward. Homeward, where we need the business, because our steamers can not be operated in ballast—we can not sail if we have to operate in ballast; it would not be safe—we would lose the haul of 26,000 tons. And I do not know how we could operate those steamers and lose 26,000 tons. We would simply have to reduce the service and cut out one or two departures a month.

Mr. EDMONDS. Would the reduction in your operating expenses be equivalent to the value of the lost freight?

Mr. ROSSBOTTOM. There would be, of course a reduction in our stevedoring expenses, in the handling expenses; but there would not be any reduction in the cost of operation of the steamer.

Mr. EDMONDS. It would if you cut down the steamers?

Mr. ROSSBOTTOM. But I am assuming we must maintain the steamers on account of the requirements of the Panama Canal.

Mr. EDMONDS. Six or eight months ago, didn't you just run two steamers a month; you did not operate a weekly steamer?

Mr. ROSSBOTTOM. Oh, we have operated a weekly service, I should judge, for the past 20 years.

Mr. EDMONDS. A weekly service?

Mr. ROSSBOTTOM. A weekly service.

Mr. EDMONDS. Which is the best one of your steamers to-day?

Mr. ROSSBOTTOM. The *Cristobal*.

Mr. EDMONDS. That is in your coal trade?

Mr. ROSSBOTTOM. That is in our coal trade, but she has passenger accommodations. Next to that one are the *Colon* and the *Panama*, from a passenger standpoint; from a freight standpoint, the *Goethals* and *Ernst*. They can carry freight cheaper than the *Colon* and *Panama*, because they are a later type of steamers, but they can not carry as many passengers.

Mr. HARDY. It seems to me there are some equities, of course, in favor of this other company, if they took over a liability of half a million dollars upon the terms and conditions that they were going to operate in this service. Still, that traffic was established when they took that over.

Mr. ROSSBOTTOM. Before that.

Mr. HARDY. And some time before?

Mr. ROSSBOTTOM. Yes; two years before.

Mr. HARDY. And so they knew the conditions under which they were receiving the allocation of those ships?

Mr. ROSSBOTTOM. Yes.

Mr. HARDY. Let me ask you a question, Mr. Dean. Did they have any promise that the service of the Panama Steamship Co. would be discontinued?

Mr. DEAN. No, sir.

Mr. HARDY. Did they ask that the service of the Panama Steamship Co. be discontinued?

Mr. DEAN. No, sir.

Mr. HARDY. I think that is something which is material in the consideration of it. If they saw the situation and took it over as it was, it was a business transaction, and they have no right to demand that another Government service should suffer.

Mr. EDMONDS. Possibly they are relying on our Republican promise to return to normalcy.

Mr. HARDY. When they did this, it was before you had any "return to normalcy" in existence.

Mr. EDMONDS. No; the Clyde Line only started in last year; they only took that service over during the winter, didn't they?

Mr. ROSSBOTTOM. They took it over last summer.

Mr. DEAN. I think it would be a year ago in May.

Mr. EDMONDS. No; they were advertising last fall in the Journal of Commerce—the Raporel Line. Do they run steamers anywhere else?

Mr. ROSSBOTTOM. I do not think so.

Mr. DEAN. I think they kept the name.

Mr. ROSSBOTTOM. They call it the Raporel branch of the Clyde Line.

Mr. DEAN. Yes; they bought the name.

Mr. BRIGGS. I want to say, Mr. Rossbottom, that your statement, so far as I am concerned, has been very illuminating.

Mr. BANKHEAD. I want to give the same expression. Your testimony has been very satisfactory.

Mr. DUFF. Mr. Chairman, during this hearing reference was made to the so-called Canada-West Indies trade agreement, which I shall gladly furnish the record at your pleasure. The agreement is as follows:

THE CANADA-WEST INDIES TRADE AGREEMENT, 1920.

Agreement entered into this 18th day of June, 1920, between the Right Hon. Sir George Eulas Foster, minister of trade and commerce; the Hon. Martin Burrell, minister of customs and inland revenue; the Hon. Charles Colquhoun Ballantyne, minister of marine and fisheries and minister of the naval service; and the Hon. Sir Henry Lumley Drayton, minister of finance, representing the Government of the Dominion of Canada; and the Hon. Harcourt Gladstone Malcolm, speaker of the house of assembly, representing the Government of the Bahama Islands; the Hon. William Lambert Collyer Phillips, colonial treasurer, representing the Government of Barbados; the Hon. Wilfred Edward Jackson, colonial secretary, representing the Government of Bermuda; Capt. John McIntosh Reid, comptroller of customs, representing the Government of British Guiana; the Hon. Harold Ernest Phillips, acting colonial secretary, representing the Government of British Honduras; the Hon. Charles Ernest St. John Branch, attorney general, representing the Government of Jamaica; the Hon. Donald McDonald, member of the legislative council, representing the Government of the Leeward Islands; the Hon. Henry Barclay Walcott, collector of customs, representing the Government of Trinidad; and the Hon. Herbert Ferguson, colonial secretary, representing the Government of the Windward Islands.

Whereas a conference has been held between the Government of Canada and the Governments of the colonies above named through their representatives assembled at Ottawa in the present month of June for the purpose of considering the extent to which and the means by which the trade relations between the Dominion and the several colonies aforesaid can be rendered closer and more intimate, their trade extended and enlarged, and the means of communication between them improved and rendered fully efficient for all purposes; and

Whereas the principles upon which the several Governments are enabled to act in the furtherance of this purpose have been fully considered and a determination has been reached:

Therefore the Dominion of Canada and the several colonies aforesaid declare and agree as follows:

TRADE.

ART. I. The Dominion of Canada affirms the principle of granting a preference on all goods being the produce or manufacture of any of the colonies aforesaid imported into Canada which are now subject to duty or which may be made subject to duty at any future time.

ART. II. Subject to the special provisions of Article III, the duties of customs on all goods (other than tobacco, cigars, cigarettes, and spirituous or alcoholic liquors) being the produce or manufacture of any of the colonies aforesaid imported into Canada, which are now subject to duty or which may be made subject to duty at any future time, shall not at any time be more than 50 per cent of the duties imposed on similar goods when imported from any foreign country.

ART. III. The Dominion of Canada will grant to the articles specified in Schedule A, being the produce or manufacture of any of the colonies aforesaid, imported into Canada, the preferential treatment indicated in respect of each such article in the said Schedule A.

ART. IV. The colonies aforesaid severally affirm the principle of granting a preference on all goods being the produce or manufacture of Canada imported into such colonies, which are now subject to duty or which may be made subject to duty at any future time.

ART. V. Subject to the special provisions of Articles VI and VII, the duties of customs on all goods (other than tobacco, cigars, and cigarettes) being the produce or manufacture of Canada imported into the colonies aforesaid, which are now subject to duty or which may be made subject to duty at any future time, shall not at any time be (a) in the case of Barbados, British Guiana, and Trinidad, more than 50 per cent; (b) in the case of British Honduras, the Leeward Islands, and the Windward Islands, more than 66 $\frac{2}{3}$ per cent; (c) in the case of Bermuda and Jamaica, more than 75 per cent; and (d) in the case of the Bahamas more than 90 per cent of the duties imposed on similar goods when imported from any foreign country.

ART. VI. The colonies aforesaid will grant to the articles specified in Schedule B, being the produce or manufacture of Canada, imported into the said colonies, the preferential treatment indicated in respect of each such article in the said Schedule B.

ART. VII. In the case of the Bahamas the provisions of Article V (d) shall not apply to wines, malt liquors, spirits, spirituous liquors, liquid medicines, and articles containing alcohol.

ART. VIII. The Governments of any of the colonies aforesaid on giving six months' notice may provide that to be entitled to the concessions granted in Articles V and VI the products of Canada shall be conveyed by ship direct without transshipment from a Canadian port into the said colony or by way of one of the other colonies entitled to the advantages of this agreement.

The Government of Canada on giving six months' notice may provide that, to be entitled to the concessions granted in Articles II and III, the products of any of the colonies aforesaid shall be conveyed by ship direct without transshipment from the said colony or from one of the other colonies entitled to the advantages of this agreement into a Canadian port.

Provided that, should the discretion recognized in this article be at any time exercised by the Government of Canada, provision shall be made, in all contracts entered into with steamships subsidized by the Dominion and the colonies aforesaid, and plying between ports in Canada and ports in the said colonies, for an effective control of rates of freight.

ART. IX. This agreement shall not interfere with any existing preference or with the granting of any future preference by the Dominion or by any of the colonies aforesaid to any other part of the British Empire, or with any existing preference or the granting of any future preference by the said colonies among themselves.

STEAMSHIP SERVICES—EASTERN GROUP.

ART. X. The Government of Canada will use its best endeavors to arrange for a mail, passenger, and freight steamship service to come into effect as soon as possible, and in any case within three years, between Canada, Bermuda, the Leeward Islands, the Windward Islands, Barbados, Trinidad, and British Guiana, on the following lines:

(1) Steamers shall sail weekly from St. John or Halifax, calling one week on the outward passage at Bermuda, Barbados, Trinidad, and British Guiana, and on the homeward passage at Trinidad, Grenada, St. Vincent, Barbados, St. Lucia, Dominica, Montserrat, Antigua, Nevis, St. Kitts, and Bermuda; on alternate weeks calling on the outward passage at Bermuda, St. Kitts, Nevis, Antigua, Montserrat, Dominica,

St. Lucia, Barbados, St. Vincent, Grenada, Trinidad, and British Guiana, and on the homeward passage at Trinidad, Barbados, and Bermuda.

(2) The steamers shall be from 5,000 to 6,000 tons gross, capable of maintaining an ocean speed of 12 knots, and providing accommodation for 100 first-class, 30 second-class, and 100 steerage or deck passengers, and shall be provided with between decks.

ART. XI. The Government of Canada will stipulate in any contract entered into for such steamship service that—

(1) There shall be reasonable proportionate allocation of passenger and cargo accommodation between the colonies mentioned in Article X.

(2) There shall be no unfair differentiation in rates of freight against the smaller colonies as compared with the rates to larger colonies situated at a similar distance from St. John or Halifax.

(3) The steamers shall be so constructed that, so far as the traffic warrants, cold storage shall be provided if this can be secured without unreasonable additional cost.

ART. XII. If a subsidized steamship service is arranged for, the Government of Canada will endeavor to secure the cooperation of the owners of such steamship service toward the provision of hotels and bungalows in the colonies, the Governments of the colonies being prepared on their part to offer such facilities as may be practicable, both as regards sites and financial assistance.

ART. XIII. The representatives of the colonies mentioned in Article X undertake to recommend to their Governments that these Governments shall contribute toward such subsidized steamship service, when established, in the following amounts annually:

	Not less than—
Barbados.....	£5,000
Bermuda.....	2,000
British Guiana.....	7,500
Leeward Islands.....	2,500
Trinidad.....	7,500
Windward Islands.....	2,500

27,000

ART. XIV. Pending the establishment of such service the Government of Canada will use its best endeavors to maintain a fortnightly service on the existing lines and to supplement it with such additional freight or passenger and freight vessels as the trade may require.

STEAMSHIP SERVICES—WESTERN GROUP.

ART. XV. The Government of Canada, subject to the adoption by the Governments concerned of the recommendations embodied in Article XVI, undertakes to provide as soon as possible, and in any case not later than the 1st of January, 1921, a fortnightly freight, mail and passenger steamship service between Canada, the Bahamas, Jamaica, and British Honduras, on the following lines:

(1) The steamers shall not be less than 3,500 long tons dead weight, shall have an ocean-going speed of not less than 10 knots, and shall have accommodation for from 15 to 20 first-class passengers, and shall be provided with between decks, and, so far as the traffic warrants, with cold storage if this can be secured with reasonable cost.

(2) The steamers shall sail from such Canadian ports as freight conditions require and shall proceed to Belize in British Honduras, calling at Nassau in the Bahamas, and at such port or ports in Jamaica as may be necessary, and shall call on the return voyage at such port or ports in Jamaica as may be necessary, and at Nassau.

ART. XVI. The representatives of the colonies mentioned in Article XV undertake to recommend to their Governments that these Governments shall, if the service proves unremunerative, contribute 25 per cent of any loss: *Provided*, That the amounts contributed shall not exceed, in the case of the Bahamas, the sum of £3,000 per annum, in the case of British Honduras, the sum of £5,000 per annum, and in the case of Jamaica the sum of £5,000 per annum.

ART. XVII. This agreement shall be subject to the approval of the Parliament of Canada and of the legislature of each of the colonies aforesaid, and of the secretary of state for the colonies. Upon such approval being given, the agreement shall be brought into force at such time as may be agreed upon between the Governments of Canada and of the colonies aforesaid by proclamation to be published in the Canada Gazette and in the Official Gazette of each of the said colonies.

ART. XVIII. This agreement shall remain in force for 10 years after the proclamation aforesaid and thereafter until terminated by 12 months' written notice given either by the Government of Canada, or by the Government of any of the colonies aforesaid, but in the latter case the agreement shall remain in full force and effect as to any of the other colonies which have not given such notice.

In witness whereof the representatives of the Government of Canada and of the Governments of the colonies aforesaid have signed this agreement.

Done at Ottawa this 18th day of June, 1920, in a single copy which will be deposited in the archives of the Government of Canada and of which authenticated copies will be transmitted by the Government of Canada to the Governments of each of the colonies aforesaid.

George E. Foster, Martin Burrell, C. C. Ballantyne, H. L. Drayton, Harcourt Malcolm, W. L. C. Phillips (per*H. B. G. Austin, acting delegate), W. E. Jackson, J. M. Reid, H. E. Phillips, E. St. J. Branch, Donald McDonald, H. B. Walcott, Herbert Ferguson.

SCHEDULE A, CANADIAN TARIFF.

Item No.	Article and degree of polarization.	Preference per 100 pounds.
135	Sugar:	Cents.
	Not exceeding 76	46.080
	Exceeding 76 and not exceeding 77	47.616
	Exceeding 77 and not exceeding 78	49.152
	Exceeding 78 and not exceeding 79	50.688
	Exceeding 79 and not exceeding 80	52.224
	Exceeding 80 and not exceeding 81	53.760
	Exceeding 81 and not exceeding 82	55.296
	Exceeding 82 and not exceeding 83	56.832
	Exceeding 83 and not exceeding 84	58.368
	Exceeding 84 and not exceeding 85	60.288
	Exceeding 85 and not exceeding 86	62.016
	Exceeding 86 and not exceeding 87	63.744
	Exceeding 87 and not exceeding 88	65.064
	Exceeding 88 and not exceeding 89	67.584
	Exceeding 89 and not exceeding 90	69.888
	Exceeding 90 and not exceeding 91	72.192
	Exceeding 91 and not exceeding 92	74.496
	Exceeding 92 and not exceeding 93	76.800
	Exceeding 93 and not exceeding 94	79.104
	Exceeding 94 and not exceeding 95	81.408
	Exceeding 95 and not exceeding 96	83.712
	Exceeding 96 and not exceeding 97	86.016
	Exceeding 97 and not exceeding 98	88.320
	Exceeding 98 and not exceeding —	96.000

The customs tariff of Canada shall be amended so as to provide that sugar above No. 16 Dutch standard in color when imported by a recognized sugar refiner, for refining purposes only, upon evidence satisfactory to the minister of customs, shall not be subject to these duties, i. e., the duties on sugar over No. 16 Dutch standard, specified in item 134 of the Canadian tariff.

The Canadian Government, failing the adoption of the polariscope standard for tariff classification, will use its best endeavors to establish a more stable color standard than the present Dutch standard.

Provided that sugar as defined under item 134 shall receive a preference of not less than 25 per cent of the duty charged on foreign sugar.

Cocoa beans, not roasted, crushed, or ground (per 100 pounds), a preference of \$1.50.

Lime juice, raw and concentrated, not refined (per gallon), a preference of 10 cents.

Limes, fresh, free as against general tariff of 15 per cent ad valorem.

Arrowroot, per pound, a preference of 1 cent.

Coconut, per 100 (imported direct to a Canadian port), free as against general tariff of 75 cents.

Coconuts, n. o. p., a preference of 50 cents per 100.

Grapefruit, a preference of 50 cents per 100 pounds.

Rum, a preference of 60 cents per gallon of the strength of proof.

Onions, free, as against a general tariff of 30 per cent ad valorem.

SCHEDULE B.

Flour, preference of not less than 1 shilling per barrel or bag of 196 pounds.

Spirits, i. e., brandy, gin, rum, whisky, unenumerated, potable, if tested, preference of not less than 2/6 per gallon of the strength of proof.

Spirits, perfumed, unenumerated, potable, if not tested, preference of not less than 2/6 per liquid gallon.

Wine, beer, and ale, duty not to exceed four-fifths of full rate.

DECLARATION RESPECTING CABLE COMMUNICATIONS SUPPLEMENTARY TO THE CANADA-WEST INDIES TRADE AGREEMENT, 1920.

With a view to the further promotion of the purposes of the Canada-West Indies trade agreement of even date the representatives of the government of Canada and of the colonies named in the agreement will recommend for the favorable consideration of their respective Governments that direct British owned and British controlled cables should be laid as soon as possible, without waiting for the termination of the agreement with the West Indian & Panama Telegraph Co. to connect Bermuda with Barbados, Trinidad, British Guiana, the Windward Islands, the Leeward Islands, and Turks Island or Jamaica.

The government of Canada will institute inquiries as soon as practicable as to the possibility of arranging for the laying of such cables and will communicate the results of these inquiries to the governments of the colonies.

George E. Foster, Martin Burrell, C. C. Ballantyne, H. L. Drayton, Harcourt Malcolm, W. L. C. Phillips (per H. B. G. Austin, acting delegate), W. E. Jackson, J. M. Reid, H. E. Phillips, E. St. J. Branch, Donald McDonald, H. B. Walcott, Herbert Ferguson.

OTTAWA, June 18, 1920.

NOTE.—The Canada-West Indies trade agreement of June 18, 1920, will not take effect until it is approved by the Parliament of Canada and the legislatures of all the West Indian Colonies which are a party thereto and a date fixed by proclamation for the coming into force of the agreement.

(Following are two letters received by the chairman from Mr. Rossbottom, accompanied by illuminating data which was requested by the committee and which Mr. Rossbottom very kindly furnished:)

PANAMA RAILROAD Co.,
New York, June 29, 1921.

The CHAIRMAN COMMITTEE ON MERCHANT MARINE AND FISHERIES,
House of Representatives, Washington, D. C.

DEAR SIR: I promised to send to the committee some of the data they expressed a desire to secure when I appeared before the committee in connection with the Edmonds bill. Inclosed you will find the following:

1. Tariff issued in April, 1921, by the Leyland Line quoting rates on the various classes of freight from Liverpool to ports on the west coast of South America. The information as to the rates charged from Europe will probably be of interest, but the important part of the tariff to the committee is the reference to shipments being subject to a deferred rebate of 10 per cent primage under usual conference terms. This will be shown in italics.

2. Cover of the classification of the Association of West India Transatlantic Steamship Lines giving the names of the steamship lines forming the conference. We also inclose a page from supplement No. 2 of this classification, giving the changes in the members of the conference lines in the various sections. The object of sending these is merely to give the committee information as to just what lines are represented in the West India conference to which I referred.

3. Statement showing comparison of rates from Europe and from the United States to Central America, east coast Colombian ports, Peruvian ports, Chilean ports, west coast ports other than Peru and Chile, based upon the pound sterling being the equivalent of \$4 in American currency. The prevailing rate of exchange is less than that to-day, which naturally decreases the rate from Europe that we have converted from pounds into dollars at the rate of \$4 per pound.

4. Comparison of rates charged from Europe and from New York to Jamaica, Mexico, and Haitian ports.

5. Statement showing result of operations of the Panama Railroad Steamship Line from 1911 to 1920, inclusive.

Yours, respectfully,

T. H. ROSSBOTTOM,
Third Vice President.

LEYLAND LINE—RATES OF FREIGHT FROM LIVERPOOL TO SOUTH PACIFIC PORTS, VIA CRISTOBAL-PANAMA, EFFECTIVE MAY 1, 1921.

These rates apply only to packages and pieces not exceeding 2 tons weight, and are payable in exchange for bills of lading.

Per ton weight or measurement, at steamer's option, unless otherwise specified.

The through rates of freight, etc., and classification of goods are subject to revision without notice. Cargo taken by special agreement only.

Where the value of packages exceeds £300 per freight ton, the same must be shown on the shipping note in order that special arrangements may be made in regard to stowage.

Valuables.—Church ornaments, furs, gloves (silk or kid), ivory, jewelry, lace, lace (gold and silver), needles, opium, plate, plated ware, quicksilver, silks, silk and cotton mixed goods, silk and wool mixed goods, silk thread, steel pens, watches, and generally all goods exceeding in value £300 per freight ton, 200/- per ton to all ports, or 2½ per cent on value at ship's option, with primage as below.

Dangerous goods—Class DD.—(On deck or specially stowed)—Phosphorus (amorphous), spirits of tar, 400/- per ton to all major ports and Ecuadorian minor ports, 480/- to Chanaral, 455/- to all other minor ports, with primage as below.

Dangerous goods—Class D.—(On deck or specially stowed)—Acetic acid (glacial), hydrochlorate of ammonia (liquid), carbolic acid (liquid), creosote oil, and percussion caps, sulphuric acid, turpentine, varnish (spirit), 200/- per ton to all major ports and Ecuadorian minor ports, 240/- Chanaral, and 215/- to all other minor ports, primage as below.

Cartridges (safety), option of on deck stowage: Minimum freight if shipped alone 30/-, if shipped with other goods, 15/-.

Packages of dangerous goods must not exceed in weight 112 pounds each.

Classes of merchandise.					Minims.		Additional charges.						
D.	Valuable.	1	2	3	4	Prim- age.	Class D.		Classes other than D and valuable.	Muni- cipal tax.	Landing tax.	Consular visa of set of B/L.	Colon wharf- age per freight ton.
							On B/L with other goods.	On B/L with- out other goods.					
MAJOR PORTS.													
Buenaventura, Tun- suc.	Over £300 val- ue per ton. ^a	190/-	150/-	130/-	110/-	10%	40/- & 10%	80/- & 10%	40/- & 10%			(1)	6/8
Esmeraldas.....	do.	190/-	150/-	130/-	110/-	10%	40/- & 10%	80/- & 10%	40/- & 10%			(2)	6/8
Bahia de Carquez.....	do.	190/-	150/-	130/-	110/-	10%	40/- & 10%	80/- & 10%	40/- & 10%			(3)	6/8
Maniz.....	do.	190/-	150/-	130/-	110/-	10%	40/- & 10%	80/- & 10%	40/- & 10%			(4)	6/8
Puerto Bolivar.....	do.	190/-	150/-	130/-	110/-	10%	40/- & 10%	80/- & 10%	40/- & 10%			(5)	6/8
Guayaquil.....	do.	180/-	140/-	105/-	90/-	10%	40/- & 10%	80/- & 10%	40/- & 10%			(6)	6d.
Payta, Eten, Pimen- tel, Pecosmayo, Sal- avery, Pisco.	do.	170/-	150/-	110/-	85/-	10%	40/- & 10%	80/- & 10%	40/- & 10%			(7)	6d.
Callao.....	do.	162/6	130/-	87/8	72/6	10%	40/- & 10%	80/- & 10%	40/- & 10%			7/8	6d.
Ilo, Mollendo.....	do.	162/6	130/-	87/8	72/6	10%	40/- & 10%	80/- & 10%	40/- & 10%			7/8	6d.
Arica.....	do.	162/6	130/-	87/8	72/6	10%	40/- & 10%	80/- & 10%	40/- & 10%				6d.
Tocopilla and Talca- huano, Valpa- raiso, Iquique.	do.	162/6	130/-	95/-	70/-	10%	40/- & 10%	80/- & 10%	40/- & 10%				6d.
Talcahuano, Valpa- raiso, Iquique.	do.	160/-	127/6	80/-	65/-	10%	40/- & 10%	80/- & 10%	40/- & 10%				6d.
Antofagasta.....	do.	162/6	130/-	85/-	65/-	10%	40/- & 10%	80/- & 10%	40/- & 10%				6d.
Coquimbo, Coronel, Caldera.	do.	160/-	127/6	87/6	70/-	10%	40/- & 10%	80/- & 10%	40/- & 10%				6d.
Chanaral.....	do.	200/-	185/-	162/6	130/-	10%	40/- & 10%	80/- & 10%	40/- & 10%				6d.
MINOR PORTS.													
*Cargo can only be accepted for the following ports in lots of 3 tons and upward:													
*Chala, Lomas, *Fainbo de Mora, and *Car- re Azul.	do.	175/-	165/-	155/-	125/-	10%	70/- & 10%	105/- & 10%	70/- & 10%			7/8	6d.
*Chimbote and Puerto Chicama.	do.	145/-	125/-	85/-	60/-	10%	70/- & 10%	105/- & 10%	70/- & 10%			7/8	6d.
VIA ECUADORIAN PORTS.													
Cayo, Machalilla, Manglar Alto, Bal- lonilla.	do.	190/-	150/-	130/-	110/-	10%	70/- & 10%	105/- & 10%	70/- & 10%	(3)	(5)	(1)	6/8

^a 20/- or 2 1/2 per cent ad valorem, with 10 per cent primage. ^b 9/- per 2,240 pounds. ^c 25/- per cent ad valorem; minimum 5/-.
^d 5/- per cent ad valorem; minimum, 5/-.
^e 6/- per 1,000 kilos or cubic meter. ^f 6/8- per 1,000 Kilos.
^g 4/- measurement or 4/4 weight.

Parcel receipts will be granted to above ports on samples not exceeding the value of £2 per package, at the following rates: 7/6 for the first foot and 1/3 for every additional 2 inches or fraction thereof.

- malt to Guayaquil, 105/- and 10 per cent.
- cement to Chilian major ports, Callao and Mollendo, 45/- and 10 per cent.
- cement to Guayaquil, 45/- and 10 per cent.
- cement to Peruvian major ports, 55/- and 10 per cent.
- coal in bags to Chilian and Peruvian major ports, 45/- and 10 per cent.
- coke in bags to Chilian and Peruvian major ports, 90/- and 10 per cent.
- patent fuel to Chilian and Peruvian major ports, 50/- and 10 per cent.
- patent fuel to Payta, Eten, Pacasmayo, and Salaverry, 55/- and 10 per cent.
- salt to Buenaventura, 85/- and 10 per cent.

Shipments to these ports are subjects to a deferred rebate of the primeage, 10 per cent under usual conference terms, but no rebate is allowed in the case of net rates.

For rates of freight or other particulars, apply to the company's agents—in Havre, to Langstaff, Ehrenberg & Pollak; in Paris, to the American travel and transport agency, 9 Rue Scribe; in Bordeaux, to Societe Anonyme, Jas. Moss; in Marseilles, to Watson & Parker; in Belfast, to Whiting & Tedford, 31 and 33 Victoria Street; in Dundee, to M. Langlands & Sons, 39 Dock Street; in Leith, to M. Langlands & Sons, Glasgow, to Prentice, Service & Henderson, 175 West George Street.

Manchester, at the company's offices, 13 St. Ann Street.

Birmingham, to Morison, Pollexfen & Blair, Ltd., 6 Victoria Square.

London, at the company's offices, 38 Leadenhall Street, E. C., and 1 Cockspur Street S W.

Bristol, at the company's offices, West India House.

FREDERICK LEYLAND & CO. (LTD.),
27 and 29, James Street, Liverpool.

LIVERPOOL, April 18, 1921.

[Confidential. For members only.]

CLASSIFICATION (No. 1) OF GOODS APPLICABLE TO EXPORTS FROM EUROPE TO WEST INDIA (INCLUDING JAMAICA) AND ATLANTIC COAST PORTS (OTHER THAN DEMERARA AND BRITISH WEST INDIA ISLANDS), AS ALSO TO PORTS ON THE WEST COAST OF CENTRAL AMERICA (INCLUDING PANAMA), MEXICO, UNITED STATES OF AMERICA, AND IN THE NORTH PACIFIC.

NOTE.—Exports to San Francisco and certain other North Pacific destinations are at present subject to "commodity classifications" in use from certain ports to those destinations.

(Effective Oct. 1, 1919. Cancels all previous issues. Subject to revision without notice.)

General section: The Royal Mail Steam Packet Co., London; Compagnie Generale Transatlantique, Paris; Frederick Leyland & Co. (Ltd.), Liverpool; Thos. & Jas. Harrison, Liverpool; La Veloce Navigazione Italiana a Vapore, Genoa; Compania Transatlantica de Barcelona, Barcelona. Koninklijke West-Indische Maildienst, Amsterdam.

"Islands" section (from continental ports): The Royal Mail Steam Packet Co., London; Compagnie Generale Transatlantique, Paris; Frederick Leyland & Co. (Ltd.) Liverpool; Thos. & Jas. Harrison, Liverpool; La Veloce Navigazione Italiana a Vapore, Genoa; Compania Transatlantica de Barcelona, Barcelona; Koninklijke West-Indische Maildienst, Amsterdam; Det Ostasiatiske Kompagni, Copenhagen; Scrutton, Sons & Co., London; Prentice, Service & Henderson, Glasgow; Booker Bros., McConnell & Co. (Ltd.), Liverpool.

Cuban section: The Royal Mail Steam Packet Co., London; Compagnia Generale Transatlantique, Paris; Compania Trasatlantica de Barcelona, Barcelona; E. Bigland & Co. (Ltd.) (the Cuban Line), London; Larrinaga & Co. (Ltd.), Liverpool; John Glynn & Son, Liverpool; W. L. Nickels, Son & Co., Liverpool; G. H. Fletcher & Co., Liverpool.

Mexican section: The Royal Mail Steam Packet Co., London; Compagnie Generale Transatlantique, Paris; Frederick Leyland & Co. (Ltd.), Liverpool; Thos. & Jas. Harrison, Liverpool; Compania Trasatlantica de Barcelona, Barcelona; E. Bigland & Co. (Ltd.) (the Cuban Line), London.

ASSOCIATION OF WEST INDIA TRANS-ATLANTIC STEAM SHIP LINES,
(West India and Pacific Traffic.)

C. HICKMAN, *Secretary.*

LONDON, September, 1919.

AMENDMENTS TO FRONT PAGE OF CLASSIFICATION.

1. General section. Add Holland-America Line, Rotterdam.
2. "Islands" section. Delete Scrutton Sons & Co., London, and Prentice Service & Henderson, Glasgow.
3. Cuban section. Add Koninklijke West-Indische Maildienst, Amsterdam, La Veloce Navigazione Italiana A Vapore, Genoa and, Holland-America Line, Rotterdam. Delete W. L. Nichols Son & Co., Liverpool.
4. Mexican section. Add La Veloce Navigazione Italiana A Vapore, Genoa, and Holland-America Line, Rotterdam.

NEW YORK, April 15, 1921.

Comparison of rates, Liverpool to Central American ports and New York to Central American ports, with transshipment at Cristobal.

	D	1	2	3	4	4 (5 tons).	Unit.
Harrison Line from Liverpool..	\$44.00	\$33.00	\$20.90	\$18.15	\$15.40	.....	Per 40 cubic feet.
Do.....	44.00	33.00	20.90	18.15	15.40	.....	Per 2,240 pounds.
Panama Line from New York..	74.80	54.00	31.60	28.00	22.00	\$16.80	Per 40 cubic feet.
Do.....	75.48	55.33	31.80	28.45	21.73	16.80	Per 2,240 pounds.

	Miles.
Liverpool to Corinto.....	5,293
New York to Corinto.....	2,738
Liverpool to La Libertad.....	5,481
New York to La Libertad.....	2,926
Liverpool to San Jose de Guatemala.....	5,579
New York to San Jose de Guatemala.....	3,024

Comparison of freight rates to Puerto Colombia and Cartagena.

	D	1	2	3	4	Unit.
From Liverpool by Harrison Line.....	\$44.00	\$33.00	\$17.60	\$16.50	\$13.20	Per 40 cubic feet.
Do.....	44.00	33.00	17.60	16.50	13.20	Per 2,240 pounds.
From New York by Panama Line.....	44.80	32.00	20.40	17.20	14.00	Per 40 cubic feet.
Do.....	50.17	39.87	25.08	21.06	17.47	Per 2,240 pounds.

EMPTY BOTTLES.

From Liverpool, \$11 per ton of 40 cubic feet.
From New York, \$12 per ton of 40 cubic feet.

SOAP, COMMON.

From Liverpool, \$13.20 per ton of 40 cubic feet or 2,240 pounds, carrier's option.
From New York, \$14 per ton of 40 cubic feet or \$17.47 per 2,240 pounds, carrier's option.
The rates from England are computed on the basis of \$4 to the pound sterling.

	Miles.
Liverpool to Puerto Colombia.....	4,368
New York to Puerto Colombia.....	1,790
Liverpool to Cartagena.....	4,407
New York to Cartagena.....	1,829

Comparison of rates from Liverpool to Callao and from New York to Callao with transshipment at Cristobal.

	D	1	2	3	4	Unit.
Harrison Line from Liverpool.....	\$40.00	\$32.50	\$26.00	\$17.50	\$14.50	Per 40 cubic feet.
Do.....	40.00	32.50	26.00	17.50	14.50	Per 2,240 pounds.
Panama Line from New York.....	39.20	28.00	26.40	24.40	22.00	Per 40 cubic feet.
Do.....	38.75	28.00	26.40	24.60	22.00	Per 2,240 pounds.

	Miles.
Liverpool to Callao.....	6,146
New York to Callao.....	3,591

Comparison of rates from Liverpool to Valparaiso and from New York to Valparaiso with transshipment at Cristobal.

	D	1	2	3	4	Unit.
Harrison Line from Liverpool.....	\$40.00	\$32.00	\$25.50	\$16.00	\$13.00	Per 40 cubic feet.
Do.....	40.00	32.00	25.50	16.00	13.00	Per 2,240 pounds.
Panama Line from New York.....	39.20	28.00	26.40	24.40	22.00	Per 40 cubic feet.
Do.....	38.75	28.00	26.40	24.60	22.00	Per 2,240 pounds.

	Miles.
Liverpool to Valparaiso.....	7,653
New York to Valparaiso.....	5,088

Comparison of rates from Liverpool to west coast of South America and from New York to west coast of South America with transshipment at Cristobal.

TO BUENAVENTURA AND TUMACO.

	D	1	2	3	4	Unit.
Leyland Line from Liverpool.....	\$40.00	\$38.00	\$30.00	\$26.00	\$22.00	Per 40 cubic feet or 2,240 pounds.
Panama Line from New York.....	44.80	39.20	32.00	28.00	24.00	Do.

TO GUAYAQUIL.

Leyland Line from Liverpool.....	40.00	36.00	28.00	21.00	18.00	Per 40 cubic feet.
Panama Line from New York.....	38.75	28.00	26.40	24.60	22.00	Per 2,240 pounds.

	Miles.
Liverpool to Buenaventura.....	4,927
New York to Buenaventura.....	2,372
Liverpool to Tumaco.....	5,094
New York to Tumaco.....	2,539
Liverpool to Guayaquil.....	5,417
New York to Guayaquil.....	2,862

Comparison of class rates, New York to Kingston, Jamaica, Liverpool to Kingston, Jamaica, and New York to Cristobal.

	D.	1	2	3	4	Unit.
From Liverpool to Kingston via Leyland Line.	\$26.40	\$20.90	\$15.40	\$13.20	\$11.00	Per 40 cubic feet.
Do.....	26.40	20.90	15.40	13.20	11.00	Per 2,240 pounds.
Do.....					5.50	Do.
From New York to Kingston via Caribbean Steamship Co.	33.60	22.80	16.80	15.00	12.00	Per 40 cubic feet.
Do.....	37.65	25.55	18.80	16.80	13.44	Per 2,240 pounds.
Do.....					8.06	Do.
From New York to Cristobal via Panama Line.	33.60	16.80	12.80	10.00	8.00	Per 40 cubic feet.
Do.....	37.65	18.80	14.35	13.20	8.95	Per 2,240 pounds.
Do.....					7.15	Do.

	Miles.
Liverpool to Kingston, Jamaica.....	4,026
New York to Kingston, Jamaica.....	1,448
New York to Cristobal.....	1,975

Comparison of rates from Liverpool to Mazatlan, Mexico, and from New York to Mazatlan, Mexico, both with transshipment at Cristobal.

	D.	1	2	3	4	Unit.
From Liverpool via Harrison Line.....	\$49.50	\$37.40	\$23.10	\$18.50	\$17.60	Per 40 cubic feet.
Do.....	49.50	37.40	23.10	20.35	17.60	Per 2,240 pounds.
From New York via Panama Line.....	74.80	54.00	31.60	28.00	14.80	Per 40 cubic feet.
Do.....	75.50	55.30	31.80	28.45	16.80	Per 2,240 pounds.

	Miles.
Liverpool to Mazatlan.....	6,610
New York to Mazatlan.....	4,055

Comparison of freight rates to Jacmel, Aux-Cayes, Port au Prince, Cape Haitien, Jeremie, Petit Goave, and Gonaives.

	D	1	2	3	4	Unit.
From London via Royal Mail Steam Packet Co.....	\$40.00	\$30.00	\$17.00	\$16.00	\$12.50	Per 40 cubic feet.
Do.....	40.00	30.00	17.00	16.00	12.50	Per 2,240 pounds.
Do.....					¹ 10.00	Do.
From New York via Panama Line.....	38.80	22.40	18.00	15.00	12.00	Per 40 cubic feet.
Do.....	38.80	22.40	18.00	15.00	12.00	Per 2,240 pounds.
Do.....					² 8.95	Do.
Do.....					³ 11.20	Do.

¹ Cement. ² In lots of 235 tons. ³ In lots of less than 235 tons.

The rates from London are computed on the basis of \$4 to the pound sterling.

	Miles.
London to Port au Prince.....	4,300
New York to Port au Prince.....	1,348

Statement showing result of operations of the Panama R. R. Steamship Line from 1911 to 1920, inclusive, requested by the House Committee on the Merchant Marine and Fisheries, June, 1921.

Year.	Net revenue (profit in roman, deficit in italic).	Net income (profit in roman, deficit in italic).	Year.	Net revenue (profit in roman, deficit in italic).	Net income (profit in roman, deficit in italic).
1910.....	\$166,272.73	\$166,272.73	1916.....	\$1,004,373.05	\$1,055,584.90
1911.....	76,416.09	76,416.09	1917.....	1,162,800.46	1,161,734.00
1912.....	305,742.85	305,742.85	1918.....	1,359,208.00	1,262,764.49
1913.....	221,489.92	125,921.59	1919.....	3,125,812.24	2,444,004.61
1914.....	314,296.56	218,646.67	1920.....	117,676.56	278,561.70
1915.....	499,853.42	586,066.53			

PANAMA RAILROAD CO.,
(PANAMA RAILROAD STEAMSHIP LINE),
24 State Street, New York, June 30, 1921.

The CHAIRMAN HOUSE COMMITTEE ON MERCHANT MARINE AND FISHERIES,
House of Representatives, Washington, D. C.

DEAR SIR: When I appeared before the committee in connection with the hearing on bill H. R. 5348, Mr. Edmunds, Mr. Briggs, and Mr. Hardy made some inquiries regarding the details of the operating costs of our steamers so as to get a reasonable idea of the relative percentages of all cost elements that enter into the running of a steamship line, and I promised to have prepared a statement that would contain that

information. This I find to be a much more difficult task than I expected, because our accounts are arranged, as you will see from the inclosed sample of our operating sheet, on the basis of our "steamer" expenses being given in 32 items and our "agency" expenses in 16 items. One of these sheets is used in connection with the round voyage of every steamer in our line, and the only way I can see of dividing on a percentage basis all the various items entering into our operating costs is to reduce these 50 items into, say, five or six groups and then figure out the percentages for each trip, making the average for a year. The objection to that plan is that it will be of value only in connection with our steamers and can not be used in comparing our operating expenses with those of other lines and then there is bound to be more or less trouble in dividing these various items into groups. We can, for instance, take—

- Items 7, 12, and 13 and group them as "Fuel."
- Items 4, 5, 6, 19, 19A, 20, 20A, and 21 and group them as "Equipment and repairs."
- Items 22, 23, 24, 25, 26, and 30 as "Stores."
- Items 28 and 29 as "Wages."
- Item 8 as "Feeding of passengers and crew."

And the remaining items as "Other operating expenses," but even that will be of little value in comparison with the tremendous amount of work it will entail to prepare it.

Will you be good enough to take this question up with the committee at your convenience with a view to having them understand from the inclosures just how our accounts are made up, and reach a conclusion as to the exact data they feel would be of value to them? I have spent considerable time trying to work out something that would give the committee just what I understand they desire, but the more I go into it the worse off I seem to be.

Yours, respectfully,

T. H. ROSSBOTTOM,
Third Vice President.

PANAMA STEAMSHIP LINE (PANAMA RAILROAD CO.), CLASSIFIED REVENUE AND EXPENSES.

S. S. Voyage No. Commencing

Sailed from New York Arrived at New York

REVENUE.

	Outward.		Inward.		Total.	
	Tons, etc.	Amount.	Tons, etc.	Amount.	Tons, etc.	Amount.
Freight	tons.	.....	.....	.....	.....	.....
Treasure	value.	.....	.....	.....	.....	.....
Mails	pounds.	.....	.....	.....	.....	.....
Extra baggage	do.	.....	.....	.....	.....	.....
Passengers:						
Cabin .....		.....	.....	.....	.....	.....
Steerage .....		.....	.....	.....	.....	.....
Mineral waters, etc., out and in .....		.....	.....	.....	.....	.....
Steamer chair service .....		.....	.....	.....	.....	.....
Miscellaneous .....		.....	.....	.....	.....	.....
Total .....		.....	.....	.....	.....	.....

EXPENSES.

	Month of		Month of		Total.	
	New York.	Colon.	New York.	Colon.	New York.	Colon.
STEAMER EXPENSES.						
1. Ballast.....						
2. Customhouse and port charges.....						
3. Docking.....						
4. Equipment, deck department.....						
5. Equipment and spare machinery, engine department.....						
6. Equipment, commissary department.....						
7. Fuel.....						
8. Feeding passengers and crew.....						
9. Incidentals.....						
10. Injuries to persons.....						
11. Labor on cargo.....						
12. Labor on coal.....						
13. Labor on ashes.....						
14. Loss and damage.....						
15. Oil and waste.....						
16. Painting ship's bottom.....						
17. Pilotage and towage.....						
18. Quarantine.....						
19. Repairs, deck department.....						
19a. Depreciation and extraordinary repairs.....						
20. Repairs, engine department.....						
20a. Depreciation and extraordinary repairs.....						
21. Repairs, commissary department.....						
22. Stores, deck department.....						
23. Stores, engine department.....						
24. Stores, commissary department.....						
25. Stores, surgeon's department.....						
26. Stationery and printing.....						
27. Telegrams and cables.....						
28. Wages.....						
29. Wages, special.....						
30. Water.....						
31. Washing.....						
32. Isthmus transfer.....						
Total						
Charter hire of vessel for voyage.....						
AGENCY EXPENSES.						
50. Advertising, newspapers.....						
51. Buildings, docks, and wharves, repairs and rent of.....						
52. Buildings, docks, and wharves, other expenses.....						
53. Commissions, passengers.....						
54. Commissions, freight.....						
55. Insurance.....						
56. Injuries to persons.....						
57. Incidentals.....						
58. Labor, general.....						
59. Legal services and expenses.....						
60. Loss and damage.....						
61. Salaries of agents and clerks.....						
62. Stationery and printing.....						
63. Telegrams and cables.....						
64. Taxes.....						
65. Outside agencies.....						
Total						

PROPORTION OF GENERAL EXPENSES.

New York.....				
Colon.....				
Total				

Steamship line tonnage and passengers carried.¹

TONNAGE.

	Month of.....					Months to.....				
	Ships. 19..	Ships. 19..	Ships. Inc.	Ships. Dec.		Ships. 19..	Ships. 19..	Ships. Inc.	Ships. Dec.	
Panama R. R. ships:										
Arrived.....
Sailed.....
Chartered passenger ships:										
Arrived.....
Sailed.....
Chartered freight ships:										
Arrived.....
Sailed.....
Total.....

PASSENGERS.

Panama R. R. ships:										
Arrived.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Sailed.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Chartered ships:										
Arrived.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Sailed.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

¹ Covering revenue shown in Form N. Y. 83.

New York192..

.....
Auditor.

(The committee thereupon adjourned subject to the call of the chairman.)

TRANSPORT SERVICE OF THE GOVERNMENT

HEARINGS

BEFORE THE

U. S. Congress. House.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

SIXTY-SEVENTH CONGRESS

FIRST SESSION

ON

H. R. 5348

OCTOBER 19, 1921

PART 2



WASHINGTON
GOVERNMENT PRINTING OFFICE

1921

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COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.

HOUSE OF REPRESENTATIVES.

SIXTY-SEVENTH CONGRESS.

WILLIAM S. GREENE, Massachusetts, *Chairman.*

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FRANK D. SCOTT, Michigan.	LADISLAS LAZARO, Louisiana.
WALLACE H. WHITE, Jr., Maine.	WILLIAM B. BANKHEAD, Alabama.
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OGDEN L. MILLS, New York.	

RENE G. DE TONNANCOUR, *Clerk.*

20. C. 10/30/23

TRANSPORT SERVICE OF THE GOVERNMENT.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Wednesday, October 19, 1921.

The committee met at 10.30 o'clock a. m., Hon. William S. Greene (chairman) presiding.

The CHAIRMAN. We will hear first from Mr. Winthrop L. Marvin, of New York. Mr. Marvin, please state in what capacity you appear. Today's hearing will be restricted to bill, H. R. 5348, which follows:

A BILL To amend sections 17 and 19 of the merchant marine act, 1920.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 17 of the merchant marine act, 1920, shall be amended by adding a new paragraph, as follows:

"Whenever the Shipping Board finds it possible to utilize the transport of the Army, Navy, or Marine Corps as a basis for the establishing of permanent steamship lines, the President may, if he deems it advisable, discontinue such service by the Government and contract for a period not to exceed 10 years with the new service proposed; *Provided*, That no contract shall be made with any steamship company whose ownership is less than 75 per cent American, and all of whose ships, owned directly or through subsidiaries are registered or enrolled under the laws of the United States."

SEC. 2. That section 19 of the merchant marine act, 1920, shall be amended by adding a new paragraph, as follows:

"(5) That any contemplated extension of service by the Panama Steamship Co. shall be submitted to the Shipping Board for approval, and all extensions of service made by this company since in control of the Government shall be approved of by the Shipping Board, or discontinued, and all freight rates established by this company shall be in agreement with rates established by the board for its operators, and be subject to the approval of the board."

STATEMENT OF MR. WINTHROP L. MARVIN, OF NEW YORK, VICE PRESIDENT AND GENERAL MANAGER OF THE AMERICAN STEAMSHIP OWNERS' ASSOCIATION.

Mr. MARVIN. I am vice president and general manager of the American Steamship Owners' Association.

I wish to say, Mr. Chairman, we are heartily in favor of the purpose of the bill, and of the bill itself with certain verbal amendments that will be submitted by our counsel. We are speaking for the full membership of the American Steamship Owners' Association, comprising about 70 American companies owning and operating ocean steam shipping under the American flag—about 3,000,000 gross tons in all of shipping of private ownership on the North and South Atlantic, the Gulf, and the Pacific coasts. I submit a list of the member companies for incorporation in the record.

Congress, in the merchant marine act of 1920, formally established the merchant shipping policy of the United States. It is to

be, ultimately, entirely a policy of private ownership and operation. To this end, the act provides for the sale of all the Shipping Board tonnage "as soon as practicable" to American citizens, with the exception of small and undesirable tonnage that may be sold abroad. What the Government seeks, in this declaration of policy which the Shipping Board is now faithfully endeavoring to enforce, is to put an end to all competition between Government-owned shipping and the fleets controlled by private capital and enterprise. This proposed measure, H. R. 5348, is entirely consistent with the purpose of the merchant marine act of 1920, and, indeed, is an essential part of the national policy which that act proclaims.

So far as the Government, through the Army, the Navy, and the Marine Corps, now owns and operates any transport steamers, such ownership and operation were due originally to conditions which fortunately no longer exist. The Army transport services to the Philippines and Panama and the Navy transport service to Haiti, San Domingo, Samoa, and Manila were all established prior to the great World War, when, as we all know, the overseas merchant marine of this country had almost wholly disappeared. The War Department and the Navy Department established these transport services because, for the time being, they were compelled so to do by a lack of adequate privately-owned shipping facilities. It was not intended that these Government shipping services should be permanent. The natural assumption of Congress and the country was that as soon as the merchant shipping industry was properly developed, these governmental services would voluntarily be withdrawn and competition between them and private industry be ended. It is gratifying to record that the Navy Department has consistently taken this patriotic and far-seeing view of the problem with which the proposed measure deals. In a statement before the House Committee on Merchant Marine and Fisheries, June 9, 1921, Capt. A. W. Marshall, of the Office of Naval Operations and Director of Ship Movements, under which the naval transport service is operated, said, in a reply to a suggestion from Representative Mills, that returning in ballast was not economical operation.

That is not economical operation. We really prefer, if space can be obtained, to use merchant shipping, and wherever we can we always do it; we take advantage of it in every case. We do not consider that the Navy should operate vessels where they would compete with merchant vessels, and we can not operate them as economically as we can obtain cargo space from well-established lines.

Capt. Marshall added that he approved the principle of this pending bill, and that he would favor departmental operation only in the carrying of such articles as explosives that could not be conveyed on merchant steamers carrying passengers.

On the contrary, we regret to note that the War Department for many years has actively opposed the surrender of any of its transport services and the ending of competition with a privately-owned American merchant marine.

As far back as 1905, the congressional merchant marine commission, appointed on the recommendation of President Roosevelt (a commission headed by the late Senator Gallinger, of New Hampshire, and including in its membership Senator Lodge, of Massachusetts, and Senator Penrose, of Pennsylvania), strongly urged the

acceptance of the enlightened policy proclaimed by the Hon. Elihu Root, in his annual report as Secretary of War, in 1902, that the Government-owned War Department transport services be abandoned. "I am satisfied," then declared Secretary Root, "that it is practicable for private shippers to do ordinary business much cheaper than it is possible for the Government to do it under the limitations which rest upon Government action, and that they can afford to do the business for less than it costs the Government and still make a profit. At the same time, by following this method, the Government will be aiding to build up regular commercial lines between the Pacific coast and Manila, which is to be desired." The congressional commission urged Congress "to complete, as soon as possible, the discontinuance of the transport service, as a measure of economy and a sure and acceptable encouragement to American trade and navigation on the Pacific Ocean." "The military power of the United States," Senators Gallinger, Lodge, Penrose, and their colleagues declared, "will be not the loser, but the gainer, by an enlightened policy tending to increase the number of modern American steamships available for use, and to strengthen our commerce with the Orient."

Unfortunately for the commercial prestige as well as for the military power of the United States, the War Department subsequently ignored and defeated these significant recommendations of Secretary Root and of the Roosevelt congressional commission. Army authorities persisted in the use of foreign-built department transports across the Pacific Ocean. This action of certain officials of the War Department, in defiance of the views of the broadest and best American statesmanship, was a powerful contributing factor to the final abandonment of American transpacific services out of Puget Sound and San Francisco, the sale of some of the great ships of these services to foreigners, and the transfer of the remainder to the Atlantic after the outbreak of the World War; that is to say, the course of certain War Department officials, by withholding the Army passenger and freight traffic from American merchant ships, had assisted to banish from our flag and drive from the Pacific the most important ships of our naval reserve in that ocean. The War Department, in fact, had made victorious war on the auxiliary cruisers of the Navy Department and the American merchant marine.

We urge the House Committee on Merchant Marine and Fisheries to approve this pending bill as the first vital step in a more generous and enlightened policy which will give the newly established services of the Shipping Board, in new mail, passenger, and freight steamships across the Pacific Ocean, a chance to live against the subsidized, cheap-wage competition of the paralleling Japanese and British lines. And in asking this we do so in the confident anticipation that the American merchant marine will have fair play from the present distinguished Secretary of War, a citizen of one of the greatest of our maritime States and himself a professional sea officer. Conditions in the Pacific just now are such that the breaking down and driving off of these United States Shipping Board commercial lines might prove a national calamity.

We urge, also, that the principle embodied in this bill—the same principle which the Roosevelt commission advocated and Secretary

Root approved—be applied to the case of the Panama Railroad Steamship Co. and the other War Department services to the West Indies and the Panama Canal, and also to the Navy Department service to the West Indies.

The American ocean-going steamships owned by the Shipping Board or by private capital now represent about 10,000,000 tons registered for foreign trade. In part because of the world-wide stagnation of commerce, and in part because of the unfair competition of foreign shipping operated at extremely low wages and sometimes subsidized and bountied besides, fully one-half of our own 10,000,000 tons of ocean shipping is now idle and thousands of officers and seamen are unemployed. In this vast reserve fleet there exists many times the amount of tonnage that would be required to perform these transport services now being operated by the Government. It can be urged no longer that the Government must do this transport work because there are no privately owned American ships to do it. That long-time claim by which the transport services were supported has now become entirely without foundation. Abundant ships exist with which competent private operators could make contracts with the Government for the performance of any or all of these transport services now conducted at public expense. The passage of this bill would promote efficiency and economy in national expenditures and would be a further faithful carrying out of the intent of the Government as expressed in the merchant marine act of 1920, that the sea carrying of the United States should be conducted entirely upon a commercial basis of private ownership and operation. A continuance of these War Department and Navy Department shipping lines involves a defiance of the spirit and purpose of Federal law and of the will of the American people as duly expressed through their Senators and Representatives.

If the War Department and the Navy Department retire from the shipping business and arrange for the transportation of their officers, men, and supplies through contract services of the American merchant marine, the United States will simply be giving adherence to a wise and successful policy adopted and practiced for many years by other governments whose needs and conditions are similar to our own. Great Britain, with military stations all over the world, where considerable forces are constantly maintained, has for a long time had no government-owned transport service. On the contrary, the British authorities have constantly had in view the wisdom of encouraging their great privately owned steamship lines, and have utilized these resources to the advantage of the Government and the merchant marine alike. In the Liverpool Journal of Commerce of September 29, 1921, it is announced that two liners of the Canadian Pacific Co., the *Scotian* and *Victorian*, normally engaged in the North Atlantic trade, have now been chartered to convey troops to and from India during the winter months, at a time when commercial traffic is at its lowest ebb between Canada and Great Britain. By taking this action, the British Government is securing the transportation of its military forces and supplies in the quickest and most economical manner, and is at the same time giving powerful support to one of the principal British steamship companies which otherwise would have these great ships unemployed and officers and

seamen idle. Here is an example of practical wisdom and patriotism in the handling of the transport problem that is most heartily to be commended to the military authorities of the United States, who for many years have been discouraging American maritime industry as effectively as the British authorities have sustained British maritime industry. The sharp, significant contrast between the strength of the British merchant marine in the years up to 1914, and the alarming weakness of the American merchant marine, is attributable in no small measure to the differing policies pursued by these two Governments.

Finally, we would emphasize the fact that in presenting our statement to your committee, we are asking nothing that is not gladly conceded on principle to every other industry in the United States. The War Department and the Navy Department do not maintain manufacturing establishments that compete with private capital or enterprise, nor do they go into the South and establish and operate cotton plantations or into the West and conduct wheat farms or stock farms, to the embarrassment and loss of the planters and farmers of those sections. Such competition would be vigorously resented and promptly put an end to by the Senators and Representatives of those sections in Congress. What we are urging now is simply the same fair play for the merchant marine.

I will hand to the stenographer, Mr. Chairman, the list of the member companies of the American Steamship Owners' Association, covering all of our coasts and including virtually all of the American companies operating steamships in oceanic trade.

Further, Mr. Chairman, I would like to read, as confirming our view, a telegram from the Pacific American Steamship Association, of San Francisco:

We regret being unable to send representatives from here to attend on October 19 the hearing of the House committee on bill H. R. 5348, and therefore accept your kind offer of June 28 to represent us in this matter, which we greatly appreciate. We have previously sent you and Mr. Duff all the data we have been able to gather on this subject, and had anticipated securing further information. As to the cost of operation of the Army Transport Service, which, unfortunately, we have been unable to secure, our suggestion is that statement of operations be submitted by the transport officers covering previous hearings to bring out information necessary to make a comprehensive comparison of the cost of operation of the transport service with commercial lines. We therefore suggest that Chairman Greene be urged to request detailed cost of operating transports on the Pacific by voyages, so that such comparison with commercial lines can be made.

And in that connection I desire to say we would like to have that comparison covering the most recent operations, and that it be based not on freight rates by commercial lines that prevailed a year ago, when rates were abnormally high all over the world, but that it be made strictly and altogether on the basis of the present rates.

Mr. Chairman, I would now like to have address you Mr. Pearsall, general manager of the Clyde Line foreign service, operating in the foreign trade.

Mr. KIRKPATRICK. I would like to ask you a question. Your remarks have been directed entirely to the Army and Navy transport services. Are you going to cover the Panama Railroad Steamship Co. service, too?

Mr. MARVIN. We regard that as included under the Army and Navy transport services, and ask that the same principle be applied to the Panama Railroad Steamship Co. that we ask to be applied to the Army and Navy transport services.

Mr. KIRKPATRICK. I did not know whether you left that out intentionally or whether you included that.

Mr. MARVIN. We intended to include that, and made specific reference to it in the first part of my remarks.

Mr. CHINDBLOM. May I ask this question: Is there any history in connection with this proposed legislation which would be at all illuminating and valuable to the committee—for instance, as to how this movement was initiated, when it was initiated, how long the steamship companies have been of this view, and if there is any present urgency in the situation which has brought about the movement at this time?

Mr. MARVIN. I would say that the privately owned American steamship companies have always viewed with regret the competition of the Government. They have, however, in past years, owing to the weakness of the American privately owned steamship companies, accepted that situation as almost inevitable.

Mr. CHINDBLOM. No prior attempt, however, to secure this kind of legislation has been made, has it?

Mr. MARVIN. In the earlier part of my remarks I referred to the efforts made in 1905, by President Roosevelt's Merchant Marine Commission, which very strongly recommended the immediate withdrawal and abandonment of the Government services operated by the War Department at that time across the Pacific Ocean.

Mr. CHINDBLOM. That is in your statement?

Mr. MARVIN. That is referred to in my statement.

Mr. CHINDBLOM. I will say that this not being our regular day for meeting, I had a meeting of another committee which I had to attend and, therefore, I did not hear all of your statement.

Mr. LEHLBACH. How far did the efforts to abandon the Pacific transport service go, as a result of Secretary Root's recommendation and the commission's recommendation? Was legislation proposed and reported from committee, or what progress was made toward effectuating the recommendations?

Mr. MARVIN. Legislation was proposed, but the Merchant Marine Commission concentrated its main efforts at that time on the establishment of naval reserve passenger and mail lines to South America. It did not include in the original bill this other recommendation. That recommendation, however, has been made from time to time before committees of Congress and legislation of that kind has been consistently sought. Even when the American merchant marine was in a state of relative weakness, there were, in 1905, two American lines operating across the Pacific Ocean; one out of Puget Sound, operated by Boston capital, as you will remember, Mr. Chairman, and the other out of San Francisco—both struggling for existence. If those two services, in the opinion of steamship men, had received the business which the War Department had existing or controlled, they would probably have been able to maintain themselves against Japanese and British competition. In other words, those ships, instead of running empty, or half empty, would

have been able to support themselves; and the final disappearance of the flag from the Pacific, in 1915, would have been averted. I know the officers of the companies, with whom I was acquainted at that time, had the confident conviction that their downfall was due to the insistence of the Quartermaster Service of the War Department in maintaining a transport service out of San Francisco and Puget Sound.

Now, Mr. Chairman, as I have said, we are facing a situation when we have abundant ships, and there can be no question of the competency of the American merchant marine ships, officers, and men to undertake and perform the service entirely efficiently and satisfactorily.

Mr. CHINDBLOM. You represent the Shipowners' Association?

Mr. MARVIN. Yes, sir.

Mr. CHINDBLOM. The Shipowners' Association?

Mr. MARVIN. Yes, sir.

Mr. CHINDBLOM. Is that a recent organization?

Mr. MARVIN. It was organized, in its present form, in 1906, and of course has grown greatly with the extension of the merchant marine. It now includes, as I have stated, about three million gross tons of privately-owned American ocean shipping. I would add that we have supported this bill from its original appearance before the committee and have signified our desire to have it enacted.

Mr. LEHLBACH. Is the Shipping Board a member of your association?

Mr. MARVIN. The Shipping Board is not a member of the association. The Shipping Board, however, as we understand, is in general sympathy with this effort; and I know the previous Shipping Board was, because we had its active cooperation—the active cooperation of Admiral Benson.

STATEMENT OF MR. C. H. C. PEARSALL, GENERAL MANAGER OF FOREIGN SERVICES, CLYDE STEAMSHIP CO.

Mr. PEARSALL. Mr. Chairman and gentlemen, I desire to recite briefly the position of the Clyde Steamship Co. on H. R. 5348, and to explain briefly their operations in the West Indies.

Having read the hearing before the committee and especially carefully the testimony of Mr. Rossbottom regarding activities of the Panama Line in Haiti, I feel that it is best to start with the history of Clyde Line and Raporel Line operations in Haiti and the West Indies.

The Clyde Steamship Co. started a freight service to Haiti about 1885, and was maintaining a regular passenger and freight service in 1890. On account of the erratic form of Government, it was necessary, a few years later, to discontinue this service as unprofitable.

In February, 1915, the export firm of Edward M. Raphael & Co. was incorporated, and about the same time the Raporel Line was incorporated. The latter was made necessary by the lack of space available on regular lines, due to war conditions, for the transportation of merchandise to the West Indies. The firm of Edward M. Raphael & Co. and Raporel Line was composed entirely of American

born citizens, the latter company being incorporated on account of the charter of the former not providing for steamship business.

The first operation was the establishment of a direct service between New York and French Guiana, the first ever in existence as a regular line, and which line cared for all Government business relating to the French penal colony located there. Later this service was extended to include British and Dutch Guiana.

Later, at the request of the Chamber of Commerce of Guadeloupe and Martinique, we started a service to the French Islands, as this territory was being neglected by the British lines, due to the necessity of their caring for their own colonies, and without our service these islands would have been in a serious predicament, there being no communication between the home country and these islands on which they depended greatly for their supplies. From this service to the French Islands developed the freight service from St. Thomas to Barbados.

Late in 1916, the Hamburg service having been discontinued to Haiti, we established sailings to this island, calling at all ports, and although I do not have the figures at my disposal for the latter half of 1916 and 1917, our results north and southbound for 1918, 1919, 1920, and 1921 are as follows:

In 1918, outward, there were 16 voyages to Haiti, carrying 20,259 tons, on which the freight revenue was \$442,449.57; in 1919, 13 voyages of 18,141 tons, on which the revenue was \$366,375.98; in 1920, 14 voyages, carrying 5,168 tons, on which the revenue was \$103,106.25; and for the first six months of 1921, 11 voyages, carrying 1,507 tons, for a revenue of \$25,070.

Mr. CHINDBLOM. Would you care to be interrupted?

Mr. PEARSALL. Yes.

Mr. CHINDBLOM. Have you any foreign competition in that service now?

Mr. PEARSALL. At the present moment the Royal Dutch has become reestablished—a Dutch line.

Mr. DAVIS. When was that established?

Mr. PEARSALL. It was reestablished in 1919; late, I think, sir.

Mr. CHINDBLOM. I heard a report, I think last April, that the British Government had recently either established or reestablished an interisland service, going from one island to another. In fact, I was on a trip to Panama and we passed such an English ship, and the captain of the ship on which I traveled said that was one of the ships that had recently been established by English interests.

Mr. PEARSALL. From Haiti to Europe?

Mr. CHINDBLOM. I do not know whether it made Europe or not; I am speaking of the interisland service.

Mr. PEARSALL. The two chief lines making Haiti from Europe are the Royal Dutch and the Royal Mail Steam Packet Co.

Mr. CHINDBLOM. Is there any English company operating a service between the islands in the Caribbean?

Mr. PEARSALL. I do not know of it as a local service, sir.

The figures for 1920 and 1921 reflected the establishment of the weekly service by the Panama Line, as well as depressed economic conditions, and the return of the Dutch Line in this trade.

Inward bound, during the same period, in 1918 we had 16 voyages, carrying 37,635 tons, with a freight revenue of \$821,724.71; in 1919,

7 voyages, carrying 9,312 tons, freight revenue \$147,867.42; 1920, 4 voyages, carrying 3,915 tons, freight revenue \$58,280.61; and during the first six months of 1921, 6 voyages, carrying 1,914 tons, with a freight revenue of \$19,488.

The figures for 1918 and 1919 are all for merchandise imported in the United States. In 1919 we carried from Haiti to France approximately 15,000 tons, on which the freight revenue was \$1,259,000. Our services to and from Haiti have always been in combination with some other one of our trades since the entrance of the Panama Line into this field.

The first year of our operation in Haiti showed a loss of close to a quarter of a million dollars, as we found it very difficult to wrest the business from the Dutch Line, due to the rebate system in effect there, and with which system we were not allowed to compete. The service of the Dutch Line was discontinued by the Government early in 1918, and their vessels assigned to us for operation, and, as our figures will show, we averaged more than a sailing once a month to Haiti, which was all that was necessary under the conditions, aside from depriving them of an adequate mail service, which, on account of war conditions, could be overlooked.

In the latter part of 1918 the Panama Line entered Haiti, we being the only operators there. Then, without any conversation or reason, they cut the rates 25 per cent, and, as testified by Mr. Rossbottom, only called at St. Marc, later going to Port au Prince. Port au Prince takes normally about 60 per cent of the southbound cargoes from the States, and the frequent unnecessary service of the Panama Line deprived us of the nucleus necessary to support our trade, covering all ports in Haiti, and forced us to carry the freight to the outports, making nine ports of call, at a reduction of 25 per cent on previous rates, while we only participated in the handling of 40 per cent of the possible volume.

When the Panama Line started operating to Haiti they were charged lighthouse dues on the basis of tonnage landed instead of the custom of payment on the net register of the ship, which in reality acted as a subsidy to them of about \$2,000 a voyage. After much complaint on our part this method of operating of the Panama Line was changed so that we operated on a parity.

Mr. Rossbottom stated that during their fiscal year of 1920, which covers operations from July 1, 1919, to June 30, 1920, they carried 7,899 tons to Haiti and 6,690 tons to New York. During the same period our records show that we carried 11,641 tons to Haiti and 6,762 tons to New York, and carried coffee at an average rate of 4½ cents a pound from Haiti direct to France on two American-chartered vessels, one American-owned vessel, and three Shipping Board vessels, to the extent of about 15,000 tons.

When the Panama Line was asked why they reduced their rates 25 per cent to Haiti they stated that they felt a 25 per cent advance over the Canal Zone rate was sufficient. In the testimony they stated they can not line on Canal Zone rates in volume, but in establishing their rates to Haiti they did not take into consideration the delays occasioned by discharge in eight ports into lighters. The rates to Haiti to-day are lower than to any other West Indies ports, with the possible exception of Porto Rico and the Canal Zone.

Referring to one particular shipment early in 1919 on a Shipping Board vessel we were offered, as I remember, about 6,000 bags of cement at our regular tariff rate of 60 cents per 100 pounds. This cargo was booked and permit given. The shipper then appeared in our office with a letter, whereby the Panama Line quoted 30 cents per 100 pounds, for which rate cement in bags can not be transported to Haiti at a profit. The only thing left for the Shipping Board to do was to refund 50 per cent of the freight already paid to the board, due to the Panama Line action, and, after pressure by the board, they agreed to reestablish the rate of 60 cents per 100 pounds. In the tonnage that the Panama Line has carried to Haiti it has had the benefit of Government supplies to Port au Prince, which has materially aided it—our shipments being all of a commercial nature.

When the Shipping Board established conferences in its various trades Mr. MacNiece, now with the United Fruit Co., was the Shipping Board's representative in New York. The Panama Line, with other lines operating, were invited to join this conference. On arrival at the organization meeting they stated that they would only be interested in joining the conference, provided they might be allowed to fix the rates in their trades. I believe that this is a matter of record with the Shipping Board. But their suggestion was not followed.

During the years 1916, 1917, 1918, and 1919, the Raporel Line operated into the West Indies more than 150 voyages, of which not over 30 were for the account of the Shipping Board as operators; the balance being time-chartered vessels employed in that service during that period. They were the American steamers *Elizabeth Weems*, *Georgiana Weems*, *Anna Moormack*, *Dorothy*, *City of Pueblo*, *St. Charles*, and *Fordonian*, and eight vessels allocated by the Shipping Board; the British steamer *Keyvive*, the Norwegian steamers *Fagersand*, *Janvold*, *Imperator*, *Stavangerin*, *F. J. Ell*, *Eric II*, *Olaf*, and *Rimfax*—all the vessels being adapted for West Indies trade.

The Raporel Line has been accused of operating foreign tonnage. The reason for that is that there were no suitable vessels of American registry available during the war, which we could secure for operations in these trades, they all being used in more profitable ventures. Our rates of freight averaged not over \$15 a ton to the West Indies and the average time charter which we paid was about \$11 per ton a month.

During the year 1920 we operated as the Clyde Foreign Services our ownership boats *Comal*, *Katahdin*, *Mohican*, *Santiago*, and *W. M. Tupper*, as well as the American steamer *Georgiana Weems* under charter, and vessels allocated by the Shipping Board. The ownership and chartered vessels have operated in other trades than Haiti, due to the competition of the Panama Line and the depressed conditions at Haiti. As far as a passenger service to Haiti is concerned, 1920 records will reveal that there were carried between the United States and Haiti, in both directions, during the year, 2,000 passengers. It is impossible to operate a satisfactory passenger service on the basis of this volume alone, and same must be established in connection with other ports of call, which, under different conditions, we are prepared to establish.

As you will note, during the year 1920 we have not operated a single foreign-flag vessel and have collected for the account of the Shipping Board approximately \$3,000,000 in freights. Our June balance on Shipping Board operations shows very little loss, if any, to date—any loss having been occasioned by the attempt to establish direct service between continental Europe and Caribbean ports. It was found impossible and the proposition abandoned, due to conference arrangements and economic conditions.

No passenger service to Haiti has been established, due to the fact that during the war all passenger vessels were requisitioned by the Government, and, since the war, competition has not warranted it. The line in operating to Haiti has been and is prepared to give sufficient tonnage to care for their needs in either direction, or to Europe direct, at any time. We notified the Shipping Board that their run to Haiti would not be profitable on the basis of the competition offered.

Regarding Mr. Rosbottom's statement of the accumulation of materials in Haiti in early 1919, this accumulation was due to the fact that 90 per cent of the exporters of Haiti were of German origin or extraction and their enormous stocks of coffee were seized by the enemy alien custodian and not released until the middle of 1919, at which time we were prepared with American tonnage to transport these commodities from Haiti direct to France. We carried to the West Indies in our various services in 1918, 47,938 tons; 1919, 53,777 tons; and in 1920, 56,376 tons; and, from the West Indies to ports north of Hatteras, in 1918, 44,690 tons; 1919, 51,279 tons; and in 1920, 69,151 tons.

Up to this time I have given you figures only on Haiti. This is in rebuttal to Mr. Rosbottom's statement that we were not operating anywhere else in the West Indies. It will be noticed by the figures just quoted, however, that our volume has steadily increased in the West Indies trade, even though Haiti, as previously indicated, has materially decreased.

Referring to the statement on page 131, regarding Raphael & Co.'s difficulties with the Shipping Board, this was not due to the losses incurred by vessels under their operation but to the lack of cash to liquidate profits on allocated steamers, as well as profits on vessels which the Shipping Board had time chartered, including the despised Norwegian vessels assigned to the Raporel Line for operation—all of which I believe showed a profit over and above the time charter of 45 shillings, all vessels having been previously under time charter to the Raporel Line. Edward M. Raphael & Co. were interested in the development of trade between Haiti and France and made large shipments of coffee on the vessels above named, and on which enormous sums were lost, due to the lack of banking facilities in Haiti and the rapid decline in foreign exchange. Mr. Raymond, in December, 1919, arranged to purchase the good will—no other assets—of the trades operated by the Raporel Line for \$225,000, which arrangement was made with the consent and assurance of cooperation in the developments of the trades in question for private ownership by the board. To-day we are an American steamship company operating exclusively American-flag vessels in all of our West Indies trades, and are anxious to develop these trades on a private-ownership basis, provided proper protection is assured on the part of the Govern-

ment and a plan evolved whereby with reasonable safety these trades can be established under private ownership.

Aside from the operation of the Shipping Board vessels in these trades the only avenue open is the charter of small vessels suitable to care for the present volume of movement, and which are available at \$2 per dead-weight ton, and less for time charter. Unfortunately, most of the vessels of this type are under foreign flags.

Our competitors in the windward and leeward islands service are Furness Withy, with Quebec and Trinidad Lines. In our Guiana service we also have the Quebec and Trinidad Lines, as well as the Royal Dutch and Lamport & Holt, and in our Haitian run, aside from the Panama Line, the Royal Dutch Line. The latter company recognized our operations after a hard fight and we did not have any trouble with them in working out satisfactory schedules, giving us a large proportion of the freight and giving Haiti adequate service.

The whole question in the development of our trade in the West Indies is one in which, if private lines are to be established, there must not be independent Government competition; and I feel that if there is any territory, aside from American possessions, in which America has the right to demand a large share of the traffic, it is with the West Indies, Caribbean, and north coast of South America, and it is in line with this development that we ask for your full cooperation, as private owners, and we are ready to do our part.

Mr. DAVIS. How many vessels has your company now leased from the Shipping Board?

Mr. PEARSALL. We have none leased from the Shipping Board.

Mr. DAVIS. You are not operating any Shipping Board vessels?

Mr. PEARSALL. We are operating Shipping Board vessels under M. O.-4 agreements, pending a readjustment of conditions in the trade.

Mr. DAVIS. How many vessels are you operating under those contracts for the Shipping Board?

Mr. PEARSALL. At the moment we are operating 8. Last year we operated 22.

Mr. CHINDBLOM. How many ships have you of your own?

Mr. PEARSALL. At this moment?

Mr. CHINDBLOM. Yes.

Mr. PEARSALL. Two, sir.

Mr. CHINDBLOM. You would have to have additional ships to handle the business which you are aiming to get?

Mr. PEARSALL. No, sir.

Mr. CHINDBLOM. Would it be necessary for you to continue to operate the Shipping Board vessels, the eight vessels that you are operating under that agreement with the Shipping Board?

Mr. PEARSALL. It would be necessary for us to operate eight vessels; not necessarily Shipping Board vessels.

Mr. CHINDBLOM. I understand that. I mean it would be necessary for you to have approximately 10 ships to take care of the present business?

Mr. PEARSALL. Yes, sir.

Mr. CHINDBLOM. And you have two of your own?

Mr. PEARSALL. Yes, sir.

Mr. CHINDBLOM. Would your company be in a position to buy ships from the Shipping Board?

Mr. PEARSALL. I believe the Clyde Line is in a position to buy ships from the Shipping Board. They have bought them, sir; they have bought ships at over \$200 a ton from the Shipping Board.

Mr. CHINDBLOM. How long ago?

Mr. PEARSALL. Two years, Mr. Duff, is it?

Mr. DUFF. About; during the past two years.

Mr. CHINDBLOM. Of course, the price of ships has changed materially since then.

Mr. PEARSALL. With the passing of proper legislation the Clyde Line will not only be in a position to own ships but be in a position to operate some ships which, under present conditions, we can not operate at a profit.

Mr. DAVIS. Since when has your company been operating Shipping Board vessels under M. O.-4 contracts?

Mr. PEARSALL. Since the establishment of the M. O.-4 agreement.

Mr. DAVIS. That was about a year ago this spring?

Mr. PEARSALL. I think a year ago last March; yes, sir.

Mr. DAVIS. As a whole, have those vessels been operated at any profit to the Government?

Mr. PEARSALL. They have not, sir; not as a whole. I think they lost on the average, on the 22 vessels we had for a year, the loss would be about a quarter of a million dollars, most of which was lost in the Mediterranean service and attempted establishment, against foreign conferences, of direct-line sailings from continental Europe through the Caribbean.

Mr. DAVIS. In what trade are your eight Shipping Board vessels now being operated?

Mr. PEARSALL. Our Shipping Board vessels at the moment are being operated twice a month between New York and the Virgin Islands, going on as far as Barbadoes, and every three weeks covering Trinidad, British, Dutch, and French Guiana, and every two weeks an express service from New York to Port au Prince, Jamaica, and Colombia, and once a month a local boat covering Haitian out ports.

Mr. DAVIS. Are those vessels being operated during this present year—at the present time—at a loss or a profit?

Mr. PEARSALL. At a small loss, sir; at a small loss.

Mr. DAVIS. You are not now operating any Shipping Board vessels to European ports?

Mr. PEARSALL. No, sir; we are endeavoring to stick by American flag vessels and are awaiting certain action on the part of Congress. As a private business proposition it would be more profitable to charter, at the low charter rate, small vessels than it would be to operate Shipping Board vessels.

Mr. CHINDBLOM. You could charter them from private companies, could you?

Mr. PEARSALL. Yes; mostly foreign flag vessels.

Mr. DAVIS. Are you at liberty to state the legislation to which you refer that you are waiting on? I do not want you to do it if you do not feel disposed to do it.

Mr. PEARSALL. I would rather have that handled by somebody else.

Mr. CHINDBLOM. Is it legislation other than this bill on which you are waiting?

Mr. PEARSALL. I think probably it is the Jones bill, already passed.

Mr. CHINDBLOM. How much of your capitalization, if any, is owned by other than Americans?

Mr. PEARSALL. I am not prepared to answer that definitely, but I do not believe there is any foreign-owned capitalization.

Mr. KIRKPATRICK. May I direct your attention to this statement of Mr. Rossbottom on page 130? He says:

Any line that goes to Haiti with the idea that it is going to make money operating in the Haitian trade will sooner or later become bankrupt.

Have you any statement to make in regard to that?

Mr. PEARSALL. Operating alone to Haiti?

Mr. KIRKPATRICK. That is what I understand it to mean? Is that correct?

Mr. PEARSALL. That is absolutely correct.

Mr. KIRKPATRICK. They have some advantages in operating to the Panama Canal. He says:

* * * The only reason we are able to compete with the Royal Dutch Line is the fact that in our steamers we have the nucleus of a cargo to the Canal Zone.

Mr. PEARSALL. Yes, sir.

Mr. KIRKPATRICK. You have the same thing?

Mr. PEARSALL. Yes, sir; on the Colombia end of it and the Jamaica end of it, and we also have private vessels in the San Domingo trade, where we have been for many, many years.

Mr. KIRKPATRICK. Just one other statement. He says:

I would like to state, in connection with the Haitian situation and the Clyde Line, that we went into Haiti at a time when no other line was operating to Haiti, and we lost considerable money in developing American traffic with Haiti.

What have you to say as to that?

Mr. PEARSALL. I think the Panama Line went into Haiti in the fall of 1918. During 1918, we had 16 voyages to Haiti, carrying 20,000 tons for a revenue of \$444,000; and from Haiti, 16 voyages carrying 37,000 tons, for \$821,000; besides which we carried 15,000 tons of coffee from Haiti to France.

Mr. KIRKPATRICK. I do not think he gave the date when they went into the Haitian trade.

Mr. MILLS. That is for what period?

Mr. PEARSALL. That is for 1918, sir.

Mr. KIRKPATRICK. It seems like a direct conflict in the two statements.

Mr. PEARSALL. There is a direct conflict in the statements.

Mr. KIRKPATRICK. Either you were there first, or they were.

Mr. PEARSALL. I am certain we started in 1916, and I know the Panama Line was ordered, I believe by Mr. Love, connected with the Shipping Board, to go to Haiti to take care of the mail situation and the lack of passenger service.

Mr. KIRKPATRICK. After the Panama Steamship Line was operating there?

Mr. PEARSALL. No, sir; that is, instructing them to go there.

Mr. KIRKPATRICK. I mean before you went there?

Mr. PEARSALL. That is after we had been there.

Mr. KIRKPATRICK. They went there after you were there?

Mr. PEARSALL. Yes, sir.

Mr. DAVIS. You were not operating any passenger service?

Mr. PEARSALL. No, sir. During the war no passenger service vessels were available for it. We were carrying some passengers, however, on our freight steamers.

Mr. DAVIS. Is it your contention that your company operated continuously from 1916 on up to the present time?

Mr. PEARSALL. Yes, sir; at least once a month.

Mr. CHINDBLOM. That is a freight service?

Mr. PEARSALL. I have attempted to explain the reason why we did not establish a passenger service.

Mr. CHINDBLOM. Of course, during the war we all know that could not be done.

Mr. PEARSALL. And since the war, with the weekly competition and with 2,000 passengers in both directions, it would have been fool-hardy to have established one, sir.

Mr. KIRKPATRICK. I want to ask one more question. Your contention is that the operation of the Panama Canal Steamship Co. to Haiti makes your operations unprofitable, or more unprofitable than they would be otherwise?

Mr. PEARSALL. That is the situation. I think the records will show that prior to the war Haiti had about seven sailings a month in each direction. To-day there is 30 per cent of the movement of freight as of that time, and Haiti has 11 sailings a month.

Mr. KIRKPATRICK. And you definitely state you were there two years before the Panama Canal Steamship Co.?

Mr. PEARSALL. Yes, sir; and had invested our own money in driving out the Dutch Line, or competing with them, to get into that service.

Mr. MARVIN. Mr. Chairman, before we leave the area of the West Indies and Caribbean and the Canal Zone to consider conditions in the Pacific Ocean, I would like to submit some more specific data regarding particularly the Panama Railroad Steamship Line. That line, as I think the committee knows, was established originally that is, it was taken over by the Government originally, to convey materials to the Panama Canal in the process of construction.

Mr. CHINDBLOM. Let me ask if you are informed whether the steamship lines were owned by the Panama Railroad Co. before we took over the railroad company?

Mr. MARVIN. My information is they were owned by the Panama Railroad Co., the French enterprise, which had purchased them from previously existing American lines. Ever since 1849 there has been an American steamship service from New York to the Isthmus and from the Isthmus to San Francisco.

Mr. CHINDBLOM. Was the French company, which operated the Panama-Pacific Railroad Co., in operation of the steamships before we took over the Panama Canal from the French company?

MR. MARVIN. The French company, as I understand it, was. It owned the railroad and owned the ships which plied from New York in connection with the railroad, inheriting that service from the older American Panama Railroad Co. Later came the different offshoots of the original Panama Railroad Line; the line from Colombia, from both coasts, to Haiti and San Domingo. The Panama Line started its new, direct service, to Colombian ports with the sailing of the *Allianca* from New York May 25, 1920, immediately after the announcement of the regular lines operating to Colombian ports on May 3, 1920, that rates would be advanced 25 per cent to cover extra costs of operation, owing to congestion at Puerto Colombia and Cartagena. Strikes, the indifference of port labor, and other conditions that prevailed in ports of the whole world at that time, compelled these companies to increase their rates to cover increased expenditures.

At the time there were four American companies, all members of the Caribbean Committee of the West Indies Conference, operating between New York and Colombian ports—the Caribbean Steamship Co., the Tropical Steamship Co., the Columbus Steamship Co., and the United Fruit Co.—so that there could have been no complaint of lack of service. All of them except the Tropical Steamship Co. were operating privately owned tonnage. The Panama Railroad Steamship management in that case broke into an area which was dominated by American-flag tonnage. It was not in any large sense a question of competition with foreign lines. I want to make that point clear, and will make it again, that the Panama Railroad Steamship management has started to attack not foreign competition but the American merchant marine. Its whole operation is in an area where the American merchant flag is relatively strong as against foreign competition, more so, perhaps, than anywhere else on the face of this globe.

At the time the Panama Line entered the Colombian service the American privately-owned steamship companies operating there were securing only part cargoes for their vessels either way. They were furnishing to Colombia, in other words, an excess of tonnage, and, owing to the congestion at Colombian ports, they were only discharging 100 tons a day as against a normal discharge of 700 tons a day. And the proof, the facts in the case, were submitted to the committee last year.

MR. CHINDBLOM. Do you not think, for the record, it would be a little fair to suggest that perhaps it was not the purpose of the Panama Railroad Steamship Co. to attack American private interests, but they were trying to establish the best business they could for themselves and to make the best showing in the cost of operating their ships?

MR. MARVIN. I am not impugning the motives of the Panama Railroad Steamship Co.; I am simply calling attention to certain specific facts in the case—that, whatever their motive was, they did invade a territory that was being more than adequately served already by American steamship lines.

The entry of the Panama Line into this trade was not only absolutely unwarranted, but they deliberately violated regulations of the Shipping Board by entering into competition with privately

owned lines and reducing established rates in order to secure cargo. That is a policy of discrimination against American shipping which the Shipping Board has been solicitous to avoid. The Panama Line had consistently refused to become a member of the Shipping Board West Indies conference and to be bound by its rules, regulations, and decisions. It has always maintained a policy of absolute freedom in regard to rates, assuming an attitude worse than our foreign competitors. I would like to explain that under the auspices of the Shipping Board—that is, under the auspices of the United States Government—conferences over rates exist in virtually all, or have existed in virtually all, American trades. The Government officials, officers of the Shipping Board, sit in on those conferences with the double purpose of protecting Shipping Board tonnage engaged in those services and of assuring, so far as the Government can, fair rates of freight to return a fair profit, as far as possible, to private companies and American companies, and to protect the interests of the shippers also. We have here in these conferences a condition where the Government is the champion and arbiter, securing possibly fairer conditions for the shippers of merchandise in the United States than ever obtained before or do obtain anywhere else; and yet this other governmental institution, owned by another branch of the national administration, refuses to enter these conferences and has refused to be bound by the obligations which the Shipping Board and private companies voluntarily undertake.

Mr. CHINDBLÖM. Has there been any competition with private shipping interests in the West Indies or Caribbean Sea area emanating from the War and Navy Departments?

Mr. MARVIN. The Navy Department operates two or three relatively small transport steamers to Haiti and San Domingo, serving the marine garrisons there. It is our contention that now that peace has come, that service could be supplied by private companies and thereby aid the merchant marine without detriment to the Navy Department.

Mr. CHINDBLOM. Is that of a commercial character or a military character?

Mr. MARVIN. I imagine that in the traffic there is a certain amount of explosives; but I should assume that a large part of the merchandise shipped there consists of foodstuffs of various kinds for the use and maintenance of the garrisons. To a very great extent, in this time of peace, I think we can safely assume that the character of the merchandise shipped in the Navy transports is similar to the character of merchandise shipped to the same region in privately owned ships.

Mr. CHINDBLOM. But, so far as you know, it is confined to the necessities of the marines and the Navy Department?

Mr. MARVIN. Yes. The Navy's transportation in the West Indies carrying is of this character. And I might add there is a Navy transport service to Guantanamo.

Mr. KIRKPATRICK. The question of explosives has come up. They are not shipped at all on passenger boats, are they?

Mr. MARVIN. Not on passenger boats; that is prohibited.

Mr. KIRKPATRICK. There must be some method of transporting explosives.

Mr. MARVIN. Yes; on the freight steamers all over the world. Exclusively freight steamers are willing to accept and are allowed to accept explosives as part of their cargo.

Mr. KIRKPATRICK. Are there any exclusive freight steamers in this service?

Mr. MARVIN. Oh, yes; the majority of them are exclusive freight steamers.

Mr. KIRKPATRICK. In your statement you spoke of the Panama Canal Co. cutting rates immediately upon their entering the Colombian traffic.

Mr. MARVIN. Yes.

Mr. KIRKPATRICK. Mr. Rosbottom gave us the idea that what happened was the American lines increased the rates 25 per cent, the European lines kept their rates at the old level, and the Panama Canal Line, in order to compete with the European lines, determined it to be wise to keep their rates at the old level. They did not actually cut any already established rates; they simply did not mean an increase of rates.

Mr. MARVIN. He could hardly have referred to this Colombian area, because that was being served by American ships.

Mr. KIRKPATRICK. That is exactly what he said. I have his testimony here, on page 111. He says:

But the unfortunate part of it was that the European steamship lines operating from Europe to Cartagena and Puerto Colombia did not increase their rates; they maintained their rates at the same level, and their rates for that haul of 2,000 miles more than the haul of the American steamship lines from the United States were away below the rates the American lines charged without the 25 per cent increase.

Mr. MARVIN. Well, our information is that at that time there were no foreign services. And I would like to add to that, in general, that the American steamers operating anywhere in competition with foreign steamers, operate at the same or approximately the same rates. You can understand that is absolutely necessary; that the ocean shipping business of the world is open to competition. It is quite possible—I am not referring to this case, but to a similar case—where American steamers were compelled to advance rates, foreign companies would be compelled as soon as they entered that field to make a general advance. I regard that statement as of no great significance, because I know our companies have to make the same rates that the foreign companies do, or possibly a little lower.

Mr. DAVIS. Were those four companies entering Colombian ports serving the same ports as the Panama Canal Line that entered there?

Mr. MARVIN. They were the same—from New York.

Mr. DAVIS. Were they rendering a passenger service?

Mr. MARVIN. One of them was rendering a passenger service. The United Fruit Co. is the largest in that region under the American flag.

Mr. DAVIS. The United Fruit Company was the only one rendering a passenger service?

Mr. MARVIN. Rendering a passenger service. It is supposed to be understood that the passenger service between Colombia and New York is not a very great one, and possibly justified no more than the one line which was in existence.

Mr. DAVIS. There is not likely to be much passenger traffic between any ports unless there are the facilities to afford it?

Mr. MARVIN. No; not unless there are the facilities to afford it.

Mr. KIRKPATRICK. Mr. Rosbottom repeatedly stated in his testimony again and again that the American rates were higher than for a haul of 2,000 miles more—higher than the European rates—and in view of your statement there must be some sharp difference between you.

Mr. MARVIN. We can say in general that is not so, and we are in a position to submit certain competitive rates.

Mr. HARDY. Have you read the testimony of Mr. Rosbottom?

Mr. MARVIN. I have read it very carefully.

Mr. HARDY. Is there any part of his statement of facts which you controvert?

Mr. MARVIN. We do controvert that part of it.

Mr. HARDY. Find some place where you say what he says is not true.

Mr. MARVIN. With regard to the motive which seemed to justify the board—

Mr. HARDY (interposing). I state statement of facts.

Mr. MARVIN. There were four American companies operating to Colombia at that time, and they had found it imperative to advance freight rates to cover the increased expenditures which I have just explained to the committee, due to the attitude of labor at the unloading ports.

Mr. HARDY. But can you pick out any particular statement of fact that is not correct?

Mr. MARVIN. Yes; that point right there.

Mr. HARDY. I do not see any statement of his that rates advanced.

Mr. MARVIN. I am going to proceed to the end of furnishing definite facts and figures.

Mr. CHINDBLOM. I raised the question in regard to the operation of the Navy in the West Indies area, and you mentioned the boats to Guantanamo?

Mr. MARVIN. Yes.

Mr. CHINDBLOM. Have you any private ships entering Guantanamo for any purpose?

Mr. MARVIN. They do from time to time. The Ward Line operates a direct service.

Mr. CHINDBLOM. To the naval base?

Mr. MARVIN. Yes; my understanding is it enters the Guantanamo base from time to time.

Mr. CHINDBLOM. I am asking about the Guantanamo base. I understand no private ships are permitted to enter the naval base.

Mr. PEARSALL. It is handled by lighter to the Guantanamo base proper.

Mr. CHINDBLOM. That is different.

Mr. KIRKPATRICK. Are you going to take up that question of competition?

Mr. MARVIN. I shall make some comment on that.

Mr. KIRKPATRICK. Then the statement to which I wish to refer is on page 111. He says:

Now, that east coast of Colombia traffic with the United States, under ordinary conditions, was controlled by the Royal Mail Steam Packet Co. and the Atlas Service of the Hamburg-American Line, also possibly by the Royal Dutch Line—

In other words, from his statement, there seems to have been very active competition.

Mr. MARVIN. That statement had reference to conditions that prevailed before the war. The Atlas Service of the Hamburg-American Line was immediately eliminated by the war and the ships laid up. The Royal Mail is one of the transport lines of the United Kingdom heavily subsidized for that purpose, and their ships were engaged, or nearly all of them, in the transport service between Canada and Great Britain and also assisting us.

Mr. HARDY. Is that statement correct, as you understand it, which he made here?

Mr. MARVIN. Kindly read the statement.

Mr. HARDY (reading):

Now, that east coast of Colombia traffic with the United States, under ordinary conditions, was controlled by the Royal Mail Steam Packet Co. and the Atlas Service of the Hamburg-American Line, also possibly by the Royal Dutch Line—but especially the first two lines; they have always controlled that traffic. The United Fruit Co. does not control it, because they can not afford to delay their steamers for as long as it is necessary sometimes to handle that traffic.

Mr. MARVIN. Historically the foreign lines have dominated that trade. The extension of our merchant marine and the diversion of the foreign lines by the war gave us an opportunity, which we seized, to go there and to strengthen our grip on the whole Caribbean region, and we now hold the dominant position there.

Mr. HARDY. He says:

They perform a regular service there, and I think stop at those ports once a week or maybe twice a week; but their time is limited, because they are anxious to get the bananas back.

That is the United Fruit Co., I suppose.

Mr. MARVIN. Besides the fruit company three other American lines were operating in the Colombian trade when the Panama Railroad line, the Government line, broke in there.

Mr. MILLS. What were those lines?

Mr. MARVIN. Those lines were the Caribbean Steamship Co. and the Tropical Steamship Co., operating Government-owned tonnage, Shipping Board tonnage, and the Columbus Steamship Co., operating privately owned tonnage. The United Fruit Co. remained in the trade with privately owned steamers.

Mr. MILLS. The other two went out of business?

Mr. MARVIN. No; they were in there at the time the Panama Railroad Co. entered.

Mr. MILLS. What has happened to them since?

Mr. MARVIN. They are still operating.

Mr. MILLS. They are still there?

Mr. MARVIN. Yes; running with insufficient cargoes in large part because of Government competition.

The CHAIRMAN. Are there any other questions?

Mr. DAVIS. Generally speaking, my recollection of Mr. Rossbottom's testimony in regard to rate cutting was that when they cut rates it was in order to meet cuts made by European companies.

Mr. MARVIN. That is the usual operation. If the foreign lines competing with the Caribbean trade reduce freights, we have to reduce freights to meet them or we lose the business.

Mr. DAVIS. And he further complained against rate making, and that something ought to be done to avoid, if possible, or to permit American companies to all go into the rate-cutting business until they fought it out; as he expressed it, until they got over the fever.

Mr. MARVIN. In such a case as that, as I have before expressed it, foreign companies had the same increased expenses as American companies. If no increased expenses prevailed, they would have developed very soon, and that undoubtedly was a temporary condition. I think as far as the British boats running in that service have advanced rates we have advanced rates. We are subject to the same conditions the world over. And if we have had to increase rates the foreign ships have had to approximate it. That is economic law.

Mr. DAVIS. In other words, the expenses in the same ports are substantially the same for the foreign vessel as for the American vessel, and vice versa?

Mr. MARVIN. That is the rule the world over, and foreign companies affected by the same conditions take the same action in regard to rates.

I would like to add that in the Colombian trade from New York there is now operating once in every three weeks a freight steamer of W. R. Grace & Co. The Panama Line is now operating the small steamer *Caribbean* to and from Colombia, transshipping to Cristobal. That ship carries about 300 tons of cargo, which is certainly not sufficient in importance to warrant the unsettling of conditions its operation in the trade caused and the consequent annoyance to privately owned lines. There is no competition with foreign lines involved, and, as I stated before, no sufficient cargo for any regular lines. And still the Panama Line continues to operate and to cut rates against American shipping to secure business.

Mr. CHINDBLOM. Are they now cutting rates or have they recently cut rates to Colombia?

Mr. PEARSALL. At present the Panama Line is carrying on their steamer *Caribbean* transshipment freight at the canal zone at 10 per cent less than the direct-line rates and giving practically as quick service.

Mr. CHINDBLOM. And that enters into direct competition with the other lines?

Mr. PEARSALL. And that enters into direct competition with the other lines and unsettles the rate situation in Colombia, as they have announced that, irrespective of what rates might be announced by the lines operating direct, their rates would be 10 per cent less.

Mr. CHINDBLOM. Would the fact of the transshipment at the Canal Zone, in the ordinary course of the shipping business, warrant that discount or cut of 10 per cent?

Mr. PEARSALL. Not when an equal service is given. The direct-line service is 12 days, and their service by transshipment is 14 days.

Mr. CHINDBLOM. Are there any other disadvantages in the matter of transshipment?

Mr. PEARSALL. The risk of breaking the packages, or loss and damage claims, due to transshipment, but the little 300 tons a week steamer unsettles the rate condition when there are 5,000 tons a week moving.

Mr. CHINDBLOM. I understand that; I am trying to ascertain whether there are any justifiable differences for that 10 per cent cut.

I am not going to assume it is done for any hostile purpose. I would like to know why it is done—if their service warrants that cut or would warrant it, in the opinion of a private company? If a private company were doing that would they be warranted in making a cut of 10 per cent by reason of transshipment?

Mr. PEARSALL. It has been customary to charge a lower rate on transshipment, but usually the condition arises whereby the time in transit is a great deal longer than the direct-shipment time. It is a question of time and interest and insurance.

Mr. MILLS. In this case it is two days longer?

Mr. PEARSALL. In this case it is two days longer, which is negligible.

Mr. CHINDBLOM. You do not think the conditions such as you have mentioned—the loss of two days' time and the possibly greater risk by reason of the transshipment—warrants a cut of 10 per cent?

Mr. PEARSALL. Not of 10 per cent; no, sir. And all of the vessels operating from there at present are American vessels, and it unsettles the rate situation of the large volume of the movement.

Mr. CHINDBLOM. Let me ask this general question: Is there a complaint here that the Panama Co. indulges in practices not considered proper, ethical, or businesslike by private shipping interests? In other words, do they follow the usual practices of privately owned shipping interests or are they following rules established by themselves?

Mr. PEARSALL. I think I can say for the private owners in the conference that we have the utmost respect for the management of the Panama Steamship Co. That is a rather indirect answer.

Mr. CHINDBLOM. I do not suppose there is anything personal in the matter anywhere, but I wanted to know with reference to their practices.

Mr. PEARSALL. I think it would be a great deal better, if the Panama Line is to operate in competition with private owners and other Government vessels, that they would be in the conference and arrange the methods of working in specific trades rather than to initiate their own methods.

Mr. CHINDBLOM. That does not quite answer the question.

The CHAIRMAN. Well, let us get it plain enough so as to understand it. Do not have anything held back; let us have it—good, bad, or indifferent.

Mr. PEARSALL. Would you ask the question once more, and I will try to give you as direct an answer as I can.

Mr. CHINDBLOM. Does the Panama Co. indulge in any practice or methods or plans of operation, in fixing rates or otherwise, which are different from those that would be employed by private shipping concerns in the same situation?

Mr. PEARSALL. Yes.

Mr. CHINDBLOM. In what respects?

Mr. PEARSALL. In my statement I referred to the situation of cement. In an endeavor to get the cement away from our lines they quoted a rate half the rate at which we had already booked it.

Mr. CHINDBLOM. Would a private company ever do that to get the business?

Mr. PEARSALL. I do not think so, sir.

Mr. CHINDBLOM. That was adjusted, fortunately?

Mr. PEARSALL. No; the cash was refunded on the basis of a rate of 30 cents a hundred on that one shipment, and the rate was reestablished, and that rate was the conference line rate.

Mr. EDMONDS. Did not the Panama Line at one time or another in the last couple of years carry phosphate up from Tampa, or freight from somewhere along the coast?

Mr. PEARSALL. Mr. Marvin has a reference to that. I know that indirectly, but not from personal contact with it. I simply know the Panama Line is in Haiti chiefly to alter developments in Colombia.

Mr. EDMONDS. Mr. Marvin, what have you there in regard to that, if you have not already stated it?

Mr. MARVIN. I have a memorandum of the case in question. The steamer *Ancon*, of the Panama Railroad Steamship Co., accepted \$4 per ton on that sulphur cargo when the Shipping Board rate—the rate established by the Government as fair to the owners and shippers alike—was \$6 a ton. And on account of the *Ancon's* invasion of the coastwise trade four Shipping Board vessels were deprived of cargo. The steamer *Ancon* is a very large ship, and she simply knocked out four other steamers owned by the Government.

Mr. CHINDBLOM. When was that?

Mr. MARVIN. I would say that was about a year and a half ago.

Mr. EDMONDS. A little over a year ago we had the complaint.

Mr. MARVIN. A little over a year ago. That was the operation of the Panama Railroad Steamship Co. strictly in the coastwise trade of the United States, where competition is abundant and, in fact, overflowing.

Mr. HARDY. Was it not a fact, also, Mr. Marvin, that when the Panama Railroad Steamship Line was organized that it reduced the rates on the freight for the building of that canal about one-half over what private lines proposed to charge them, and that after that reduction they still made a profit—the private lines being in the conference?

Mr. MARVIN. I think you have in mind the reorganization of the Panama Railroad Steamship Co. service to the canal at the time the canal was constructed. I have a very clear recollection that the bids submitted by the Panama Railroad Steamship Co. for that service were considerably less than the commercial bids; but the commercial bids were, in the main or altogether, as my recollection is—altogether—the bids of European steamship companies that at that time virtually controlled the bulk of that trade. The argument made to Congress, and it seemed to be a just one, for the purchase of the two large Boston steamers that happened to be owned by friends of mine at that time was that the foreign shipping, monopolizing almost all of the tonnage available for such service, were gouging the Government of the United States.

Mr. HARDY. Is it not a fact that the Roosevelt administration always claimed they had saved 50 per cent in freights on the tonnage that went to the Panama Canal by reason of having this Panama Canal Line, and still that the Panama Steamship Line made a profit?

Mr. MARVIN. I would be disposed to accept that. It coincides exactly with my own recollection of it and is another illustration of the fact that, however low foreign vessels carry American commerce when they are in competition with American vessels, when they have us at

their mercy they certainly charge all that the traffic will bear and more.

Mr. HARDY. Is it not also a fact that during the war the rates to and from the Panama Canal were lower than in any other direction the world over, almost, because they were held steady by the Panama Steamship Co.?

Mr. MARVIN. I believe the rates from the Panama Canal were lower and were doubtless influenced in part by the Panama Railroad Steamship Line operations. But I would like to say further—and this is a more far reaching and important fact—that the freight rates in the American coastwise trade all during the early part of the Great War were very substantially lower than anywhere else in the world, although confined exclusively to American vessels. There was abundant tonnage in the protected coastwise trade of the United States and abundant competition, and those rates were kept down. In fact, I believe the United States coasting rates at that time were lower than the world's level.

Mr. HARDY. Were not the rates lower to the west coast of South America, very much lower, than in other directions?

Mr. MARVIN. Well, I should assume the whole freight situation was affected at that time by two competitors; one was the Panama Railroad steamship fleet and the other was there was relatively more competition in that trade than anywhere else. We were large importers from the west American coast, and we were forced to handle that business in our own vessels.

Mr. HARDY. About that time was there competition anywhere? Were not the conference lines regulating rates between both the domestic and foreign carriers?

Mr. MARVIN. Generally speaking, over the whole world at that time and under the pressure of the war and the lack of foreign shipping, very largely because foreign Governments took their shipping into their own hands and there were no conference agreements.

Mr. HARDY. But before the war did they not have agreements fixing rates and trades and everything of that kind at the time we were investigating it here?

Mr. EDMONDS. Previous to the war did we have any tonnage under the American flag going down in that territory?

Mr. MARVIN. Virtually the United States were not participants in those conferences; we did not know what they did in those conferences. Their sessions were held, mostly, behind closed doors in Great Britain and Germany, and the rates were fixed on the other side of the Atlantic.

Mr. HARDY. Did they have any conference in the coastwise trade?

Mr. MARVIN. They did not have any conference in the coastwise trade at all.

Mr. HARDY. There were not any conferences in the coastwise trade?

Mr. MARVIN. I never knew of any.

Mr. HARDY. Did not they have fighting ships, too?

Mr. MARVIN. I never knew of any.

Mr. HARDY. I think you will find that is in the testimony here.

Mr. EDMONDS. Not in the testimony in that connection. I think you are thinking about the fighting ships of Holland.

Mr. HARDY. I am thinking of the fighting ships employed to kill off American shipping starting out of Baltimore and Beaumont—that coastwise line.

Mr. EDMONDS. That was a fight between lines—a big fight between a private barge line and the Bull Line.

Mr. HARDY. Yes; and the private ships had conference agreements as to rates and as to putting down independent competition. That all appears in that evidence.

Mr. MARVIN. The fighting ships and deferred rebates and discriminatory methods of that kind seldom if ever appeared in the coastwise American commerce. They were, however, characteristic of every one of the foreign steamship companies—many of them backed by their own Governments.

Mr. HARDY. Was it not a fact that all the lines on the Great Lakes were in a combination?

Mr. MARVIN. All lines?

Mr. HARDY. Yes; and the railroads with the lines.

Mr. MARVIN. I think that is rather far afield, if I may suggest it, Mr. Chairman, from the matter here.

The CHAIRMAN. I think so myself.

Mr. MARVIN. I would be glad to discuss that before the committee at some other time, if it so desires.

Mr. HARDY. That is the reason I wanted some part of this testimony of Mr. Rosbottom's controverted as to particular facts, if his testimony was incorrect.

Mr. MARVIN. I have still a few memoranda to submit.

Mr. DAVIS. Before you go any further: I just want to call attention to the fact that on pages 93 and following of the hearings Mr. Rosbottom explains that question of transshipment and the reasons for it, and the effect of it, in full detail.

Mr. MARVIN. On page 98 of the previous hearing, Mr. Rosbottom, in his testimony regarding the Pacific Steam Navigation Co., that is the British company, stated that it was handling cargo from Europe to the South Pacific via New York at a rate of \$12 per ton, and then, on the same steamer was handling the same class of cargo from New York for the same destination but at rates ranging from \$15 to \$25 per ton. Upon taking that matter up with Mr. Andre, of Sanderson & Son, New York agents of the Pacific Steam Navigation Co., he informs me that such is not the case, as steamers operating in that service sailed from Southampton, touching at Barbados, Trinidad, Puerto Colombia, Cartagena, and Colon prior to their arrival at New York. All cargo for South Pacific ports was discharged at Colon prior to departure of steamer to New York. Therefore, upon arrival of the steamer at the port of New York, the only cargo she had aboard was such cargo as she may have picked up en route and destined to New York. Upon her departure from New York, the steamer would have handled New York cargo for the South Pacific.

Mr. KIRKPATRICK. It is fair to say, I think, Mr. Rosbottom, suggests that condition does not exist to-day.

Mr. MARVIN. No; he referred to the previous period. Now, generally speaking, the rates from Europe to South America and that

region bear a close approximation; in many cases they are higher than the rates from New York out to that port.

Of course, we are dealing now with an abnormal condition, when the foreign rates are greatly affected by the abnormal exchange. I have here a number of freight rates, comparable freight rates, and they show that in a great many cases the rates between New York and South America are substantially lower than the rates that obtain from Europe to South America. And, of course, the committee understands freight rates are not altogether established on the length of the haul and that there are other factors that enter into the situation.

As to the reports of extensions of service of the Panama Line last year, I would say, of course, at that time the Panama Railroad Steamship Co. was under a different administration. I know, from direct statements to me, that the then Secretary of War favored Government ownership and operation of merchant shipping. Under the present administration, we assume that that would not be the case. The reports of extensions of service of the Panama Line were not, as Mr. Rosbottom suggested to you, purely dreams of the newspapers and were not propaganda. Mr. E. A. Drake, vice president of the Panama Line, announced last year that the line proposed securing 50 vessels from the United States Shipping Board and extending their service to all West Indian trades and up and down the Pacific coast, centering at the canal, and in conference with Secretary of War Baker shortly after this announcement, he admitted that that was their purpose. It was only natural for the West Indies conference to take action against such a drastic announcement from a Government organization, and a protest was immediately filed by the executive committee of the conference, but no petition was circulated, as stated by Mr. Rosbottom on page 112 of his testimony. That effort on the part of the Panama Railroad to compete with the privately owned and Shipping Board steamers was defeated by public sentiment. It failed. But the other extensions of the service already accomplished by the Panama Railroad Steamship Co. to Haiti, San Domingo, and ports of Colombia, remain and we are asking for their elimination. We are justified in asking for a withdrawal of the Panama Railroad Steamship Co. from participation in commercial trade for the reason that there is ample American tonnage in all of the trades to handle promptly and efficiently all of the cargo offering.

Mr. DAVIS. In that connection, you will concede that if the Panama Canal Steamship Line was prevented from carrying commercial cargoes, it would be absolutely put out of business, won't you, for the reason that practically all of the Government business is to Panama and not from Panama?

Mr. MARVIN. As I stated, Mr. Chairman, in my report, in my introductory remarks to the committee, we ask for the complete abandonment by the Government of the Panama Railroad Steamship services. They are utterly unnecessary to-day; they were necessary when they were established. At the present time, American commercial lines running to that region could take over instantly, or with no more than a few days' preparation, all of the business the Panama Railroad Line is carrying. It is superfluous and its continued existence

simply brings one branch of the Government of the United States into competition with another branch of the Government's interest, and with the now great American merchant marine, in private ownership. In other words, every day the turning of this business over to private ownership is delayed it is in defiance of the principle and in defiance of the law—of the act of Congress enacted June 5, 1920, for the government of the merchant marine.

Mr. DAVIS. I do not agree with you there. You have not answered my question, which is this, that the last proposition you made would mean the necessary elimination of the company?

Mr. MARVIN. Yes. I answered the question in my original statement, that it does not make any practical difference at all whether the Panama Steamship Co. had any return cargo; it is not necessary. Private capital and enterprise—

Mr. DAVIS. In other words, do I understand you insist that if they simply carried the Government cargo down there and brought no commercial cargo back, that they could still run at a profit, or even without loss?

Mr. MARVIN. The Panama Railroad Steamship Co., last year, had a very substantial operating deficit. Presumably this year, with lower freight rates and a reduced volume of general business, the operating deficit of the Panama Railroad Steamship Co. is greater still. That is the case with commercial companies and I presume it is true of the Panama Line, also. The Panama Railroad Steamship Co. today is not making any money; it is losing money in very great quantities.

Mr. DAVIS. How great quantities?

Mr. MARVIN. We can not tell until the annual report of the Panama Railroad Steamship management for the year ended June 30, 1921, is at hand. I would like very much to see that document.

Mr. CHINDBLOM. What did the report for 1920 show?

Mr. MARVIN. It showed an operating loss, I think, of \$117,000.

Mr. KIRKPATRICK. More than that; I think it was \$270,000.

Mr. MARVIN. I would like to see all the factors of operating expense put into their statement.

Mr. CAMPBELL. That disregards many elements of operating cost.

Mr. MARVIN. That disregards many elements of operating cost. The commercial steamship companies, of course, have charges for insurance, depreciation, interest, and a great many other charges that the Government line does not have.

Mr. DAVIS. But I do not see any reason for depriving them of making money.

Mr. MARVIN. They made money in some years, according to its reports; but if the reports of the Panama Railroad Steamship Co. had been made up on the same basis as the reports of privately owned companies, with the same charges and same allowances, the Panama Railroad Steamship Co. would have shown no profit whatever in most of the years.

Mr. CHINDBLOM. Do you consider that any part of the operating expense of the ships of the Panama Railroad Co. could be considered as part of the cost of operation of the Canal?

Mr. MARVIN. Not now, when commercial companies, with adequate tonnage, stand ready to do the same service.

Mr. CHINDBLOM. The service that private companies render would be added to the expense of the Panama Canal operations, would it not?

Mr. MARVIN. In a sense it would be. Our contention is that the Government of the United States has no right to compete with private capital and enterprise in any field.

Mr. CHINDBLOM. I might agree with you on that question; but my question now is whether the cost of operating those ships, the cost of shipments particularly to the Canal, for the operation of the Canal, may not properly be chargeable as a part of the cost of operating the Canal, so that even if they run at a loss it is part of the operating cost of the canal? Would you consider that to be the case?

Mr. MARVIN. No more than if those same materials and supplies were brought by private shipping.

Mr. CHINDBLOM. That may be so; and the Government might sustain an equally large loss or an equally large expense in sending its shipments on private vessels as it does upon its own. Then that would be chargeable, of course, to the operating cost of the canal?

Mr. MARVIN. My conviction, of course, is that in the long run the Government would secure better rates and better service from private companies. In other words, we believe in the principle laid down by Secretary Root in the statement I read here, recommending the abandonment of the transport service across the Pacific, the recommendations of the Roosevelt Commission, and the act of 1920 that seeks to take the Government right out of the shipping business. Whether it is part of the cost of the canal or not, I regard it simply as an expedient of bookkeeping. It might be so charged and it might not be so charged; in any case, it makes no difference, because certainly the costs of private companies that are compelled to make a livelihood out of their own business, are, in the long run, no greater than the cost of operating a business by the United States.

Mr. DAVIS. From the business standpoint, will you not concede the Panama Railroad Steamship Co. has been efficiently operated?

Mr. MARVIN. We make no quarrel with the operating staff and managers of the Panama Railroad Steamship Co., particularly as we are on terms of friendship with them. The Panama Railroad Steamship Co., when taken over by the Government of the United States, was officered by practical steamship men, and, so far as I know, practical steamship men still operate it. I know some of them in posts of official authority, and I have very great regard for them. I think the Government, in the operation of the Panama Railroad Steamship Co. has done as well as any Government could do in the operation of a business. Our personal relations with all of the Panama Railroad staff are good and friendly, and there is no personal feeling in this at all.

Mr. EDMONDS. This bill does not contemplate the abolishment of the Panama Railroad Steamship Co., but places the general handling of the operation of those steamships under the Shipping Board.

Mr. MARVIN. Yes.

Mr. EDMONDS. In order to prevent just what you say.

Mr. MARVIN. Yes.

Mr. EDMONDS. Personally, I do not feel very friendly toward abolishing the Panama Railroad Steamship Co., but I do think it is

eminently an improper thing to have the Panama Railroad Steamship Co. competing with our own private lines.

Mr. MARVIN. That is our purpose and our desire.

Mr. EDMONDS. That does not mean their original service, because at the time the original service was established there we had no other service; you folks and no other folks were operating there.

Mr. MARVIN. It was entirely necessary.

Mr. EDMONDS. And I had no personal feeling about abolishing the line itself; but I do think it is the height of folly to have two departments of the Government competing with each other. And to allow a condition like that, like the carrying of sulphur, and laying up four ships, which are still laid up to-day, is wrong. Those four ships are laid up because they could not get that business, ever since the Panama steamship people came in and made a rate which it was impossible for the Shipping Board to accept. And they have four boats laid up to-day, eating up money, and the result is they lost a lot in tying up the operation of those ships and the Panama Steamship Co. gained nothing.

Mr. DAVIS. I suppose you will concede, however, that the insistence that the only successfully operated and profitable steamship line to the Government should be placed in the hands of the Shipping Board, which everybody understands has been so deplorably inefficient, is not in the interests of the taxpayer?

Mr. EDMONDS. Answering you there, I will say this, that I had no idea, in the bill, of placing the Panama Railroad Steamship Co. in the hands of the Shipping Board for operation. My idea was to leave the operation entirely as it is. But I placed the handling of any new service that they chose to originate, and the establishment and review of their freight rates, in their hands; because you can realize how foolish it is to put out of business this line out of Texas, that was in Mr. Hardy's State, and simply to throw those steamers back into the discard, like we have, for the sake of getting one or two cargoes for the steamer *Ancon*. It is foolish. They ought to confine themselves to the original purpose, to haul between New York and Panama, with such other service as might be necessary from time to time. The Shipping Board has that right now to review their freight rates under the law, if we can make one department of the Government review the action of another. I do not know whether we can, or not; but they have that right. And the Panama Line should not originate any new and competing service without it was necessary and without the Shipping Board agreeing to it. That is my idea in this bill.

Mr. CHINDBLOM. Don't you think it is rather a misconception to consider the department of the Panama Railroad Co. as governmental agencies in the strict sense? While, of course, they have been established by the Government, they are, in fact, engaged in private business.

Mr. LEHLBACH. But they are governmental agencies.

Mr. EDMONDS. You have a very serious question there. Would the Shipping Board, with its power to review rates and to agree to conferences, have the right to review the rates of the War Department for the Panama Steamship Co.? Now, about this bill, it places in the hands of the Shipping Board all supervisory power. It does not take anything away from the Panama Railroad Steamship Co.;

it simply gives the Shipping Board supervisory power and that supervisory power ought to be somewhere. You had better give it either all to the War Department or all to the Shipping Board; but it can not be run with two different concerns competing with each other by the Government itself. It is foolish on the face of it.

Mr. KIRKPATRICK. Mr. Chairman, may I inquire whether you intend to recess?

Mr. MARVIN. I have nearly finished, Mr. Chairman.

Mr. CHINDBLOM. I do not know whether your bill is susceptible of the construction which you have just given it, Mr. Edmonds. As I read it, and I will read the exact language, it reads as follows:

Whenever the Shipping Board finds it possible to utilize the transport of the Army, Navy, or Marine Corps as a basis for the establishing of permanent steamship lines, the President may, if he deems it advisable, discontinue such service by the Government and contract for a period not to exceed 10 years with the new service proposed.

Mr. EDMONDS. You are reading section 1. Section 2 is the one you want to read—

That any contemplated extension of service by the Panama Steamship Co. shall be submitted to the Shipping Board for approval, and all extensions of service made by this company since in control of the Government shall be approved of by the Shipping Board or discontinued, and all freight rates established by this company shall be in agreement with rates established by the board for its operators and be subject to the approval of the board.

That does not touch the original service but the extensions of the service.

Mr. CHINDBLOM. I understand. But the original service of the company—that is, the service by the company since in control of the Government—is service useful only to the Panama Canal.

Mr. EDMONDS. That is it exactly. It takes in the Haitian service, the Jamaican service, the Texas service, the Colombian service—any service to which they have extended their line outside of the original Panama line.

Mr. CHINDBLOM. Then you contemplate the Panama Railroad Co. would continue its service and business to the canal itself and no further service without the consent of the Shipping Board?

Mr. EDMONDS. That is it exactly. I thought this out very carefully and I do not think it fair to the Government nor the parties in interest for the original line to be put out of business. But I do think its extensions of service, now that we have ships, are going to be exceedingly dangerous.

Mr. DAVIS. Mr. Rosbottom explained this original line and especially the extensions down the west coast were designed for the purpose of securing feeders for a return cargo; and he said without that they could not operate at a profit or even pay expenses. In other words, if they simply take the Government freight and passengers down there to Panama that are at Panama they can not get a return cargo; and in order to get a return cargo they have established this service around to these other ports and have built up a service that did not exist.

Mr. EDMONDS. To answer that, Mr. Davis, I would say that the service did exist. If there was freight to be moved, it was moved. It may be possible it was not transshipped at the Panama Canal; but at the same time it is true it was moved and must have been

moved and, therefore, somebody moved it. Now, Mr. Rossbottom claims to have built up this service. Of course, I understand his position. In the first place, his statement that he did not make money when just running to the canal and New York only is not so, because in 1910, 1911, and 1912 they made a profit; in 1913 they lost money; in 1914 and 1915 they made money, and right along; and they have been gradually extending this service in different directions and for one excuse or another—sometimes a war reason, or something like that. Now the war probably made them extend these services, and they are asking to continue these services; and it is manifestly unfair to the lines running there, if we expect them to stay under the American flag, to have a competing force in your own Government. Either one party has got to do it or the other party has got to do it; there is not enough freight for both of them. That is the situation. The Panama Steamship Line was employing four or five or six steamers originally there, and then they got together the steamers *Ancon* and *Cristobal* and they only worked to the canal, carrying supplies to the canal. Now they come along with a lot of smaller steamers. Only one of them the other day burned up, and there is no charge for loss on that, because I doubt if they carried insurance. The *Gen. Goethals* burned up the other day.

Mr. MARVIN. It was very severely damaged by fire, if not destroyed.

The CHAIRMAN. And was not insured?

Mr. MARVIN. My impression is the Government carries no insurance at all, which is a charge on private ship owners.

Mr. EDMONDS. The ship owners have to charge up that loss, and the loss of one or two hundred tons, or if they get a very small load it shows a considerable loss in the operation of the line. That was shown in the Bull case versus the Porto Rico case that we had before this committee some time ago.

Mr. MARVIN. When I was interrupted I was summing up our reasons for the discontinuance of the Panama Railroad Steamship Line, as follows, that we are justified in asking for the withdrawal of the Panama Railroad Steamship Line from participation in commercial trade because there is ample American tonnage in all of the trades to handle promptly and efficiently all of the cargo offering; they are protecting rates to west coast of South American ports that are lower than those in effect via direct American carriers—the west coast of South American ports in which they work in conjunction with foreign steamers. They are participating in the east coast of Colombian trade with their own vessels, with transshipment arrangements at Cristobal at rates 10 per cent under the direct American carriers. There are no foreign lines operating in the United States east coast Colombian ports trade.

The actions and policies of the Panama line just enumerated do not coincide with the policy set forth by the merchant marine act recently enacted by Congress for the promotion and maintenance of the American merchant marine, and inasmuch as there are no foreign carriers operating in the United States-Colombian trade, and as this trade is adequately covered by American privately owned, as well as Shipping Board, vessels, the Panama line service is unnecessary

and an improper interference with legitimate business of the established American lines.

We vigorously protest not only against the operation of the Panama line in the west coast of South America, Colombia, and Haiti trades, but also against its further extension to other trades, to the detriment of American-owned steamships.

Mr. EDMONDS. I would like to say, Mr. Marvin, in answer to Mr. Davis, there are 12 steamers being used now and two 7,500-ton barges, whereas in the original line there were 3 steamers, the *Colon*, the *Panama*, and the *Allianca*. Then they got the *Cristobal* and *Ancon*, and now they are running 12 steamers and two 7,500-ton barges. It shows you the increase of business. It is simply a question of whether you want the Government to do the business, because private lines can not compete with that kind of competition.

Mr. DAVIS. But according to the testimony of Mr. Rossbottom a good many of those small steamers are making ports on the west coast of South America that other ships are not making.

Mr. EDMONDS. Some of the smaller steamers have to be used on the Haitian ports and also on the west coast; yes, that is true; there is no question about that. And that is the reason they tranship this freight at Panama, because it does not pay to carry the steamer around to New York. But none of these are very small steamers. Their tonnages are, the smallest, 4,000 tons and they run up to 13,000 and 14,000 tons dead weight. There is one of 3,900 here—the *Allianca*. That is the oldest boat of the line, built in 1886. Then there is the *Advance*, built in 1893.

Mr. MARVIN. I would like to say on that point which has just been raised as to the size of the ships that our great surplus tonnage owned by the Shipping Board is in small steamers that are fit for this service to small ports. In fact, there are several hundred of those small steamers laid up at the present time. Out of that fleet it would easily be possible for private enterprise to take care of all the service the Panama Steamship Line is now operating. They are simply blocking out so many privately owned ships.

The CHAIRMAN. Is there anything else?

Mr. MARVIN. If there are no further questions to be asked as to the Panama Railroad Steamship Co. in the West Indian and Caribbean region we would like to proceed to consider the transpacific situation.

Mr. CHINDBLOM. Before you leave that: You do not quite take the position that the Panama Railroad Steamship Line should be continued, to operate its ships for the Panama Canal Zone business exclusively, do you?

Mr. MARVIN. We do not. We believe that in accordance with the principle Congress has laid down the Panama Railroad Steamship Co. service should be surrendered by the Government, as the bill provides. We take a stand, possibly not exactly in accord with that of Mr. Edmonds; we believe in the elimination of the Panama Railroad Steamship Line as a competitive factor with privately owned American merchant marine—not the elimination of the ships, or of the officers and men, or their very able and experienced managers.

Mr. CHINDBLOM. What would you do with the ships?

Mr. MARVIN. The ships would follow exactly the same course the merchant marine act prescribes for the tonnage of the Shipping

Board—to sell them, if possible, to private operators who will operate them on a basis on which is operated all the rest of the merchant tonnage of the world. We are asking simply for fair play for private enterprise and capital as employed in the American merchant marine.

Mr. CHINDBLOM. If these ships are sold to private interests, that would reduce the possibility for purchase of Shipping Board vessels to that extent, would it not?

Mr. MARVIN. It seems to me that makes very little difference, in the solution of this great problem of the Government-owned merchant marine, whether the Government sells Shipping Board tonnage or sells the tonnage of the Panama Railroad Steamship Co. In either case, the Government is loaded up with commercial machinery, so to speak, and all the rest of the machinery that the war and previous events left on its hands is being sold as rapidly as possible.

Mr. CHINDBLOM. I was trying to get at the power of absorption.

Mr. MARVIN. There is the same power of absorption in private hands of the Panama Railroad Steamship Line steamers, so far as they are economically fit, as there is for the absorption of equivalent tonnage of the Shipping Board.

Mr. CHINDBLOM. Do you think the Panama Co.'s ships are of the type that private interests would want to put into service?

Mr. MARVIN. Some of them are not; other ships certainly are.

Mr. DAVIS. Is it not a fact that it is the policy of private ship owners not only to have the Government dispose of all of its ships at whatever prices they would bring, but as speedily as possible, regardless of market conditions, and then to insist upon a Government subsidy for all of the American operators?

Mr. MARVIN. I would hardly say that. The shipowners as a whole have not indicated, thus far, any specific lines of further governmental procedure.

Mr. DAVIS. Well, there has been a great deal of propaganda along that line; not only in the press, but coming to the Members of Congress.

Mr. MARVIN. That may possibly be true. I am speaking now of the American Steamship Owners' Association. We have not yet adopted any recommendations looking to the future national policy of the United States.

Mr. DAVIS. I did not ask you whether you had; I ask you as to your purpose in that respect.

Mr. MARVIN. While our purpose has not yet been declared, I would like to say, as a general proposition, that the problem of international competition is the same with the Government of the United States, so far as it continues to own tonnage, as it will be with private companies—exactly the same. The Government can not operate for less than we can, and when the Government meets whatever problem there is as to future operation of ships, it is a Government problem as well as the problem of the shipowners. There is a law in effect now, and if the United States will proceed to apply the law we are not asking any further legislation at this time.

Mr. CAMPBELL. I have with me an analysis of the annual report of the Panama Railroad Co. on steamship operation.

The CHAIRMAN. That is for the year ended June 30?

Mr. CAMPBELL. For the year end June 30, 1920; not one I made myself, but one made by the auditors of one of the steamship companies. I should like to have it go into the record, for this purpose; it shows that in addition to the loss calculated on the basis of actual operating expense, there were additional expenses incident to the carrying on of the steamship business which must be taken into consideration in ascertaining the actual net results for running the steamship company.

The CHAIRMAN. That is overhead charges—

Mr. CAMPBELL. Well, there are condition expenses, repair expenses, and various kinds of losses. They were actual losses that this company apparently had to pay. It had to obtain the money to pay the losses, either from earnings or surplus, or to get it from its stockholders. Its stockholders, as I understand, are the Panama Railroad Co. I offer it to you with this suggestion, that it does show that the statement which has been put into the record so far of the operations of the steamship company is not complete enough to form a basis for your ascertaining what was the actual result of the operation of the steamship company; and I suggest to the committee, and I think the committee ought to have the Shipping Board auditors, who are auditing steamship company accounts, make an analysis and audit of the operations of the Panama Steamship Co. for, say, the year ended June 30, 1920, and the year ended June 30, 1921, so that you will have before you the actual results of conducting that business. Then when you get those facts you will have something upon which to proceed, and you can not proceed upon any statement which has been put into the record so far.

Mr. CHINDBLOM. Could that same analysis be made by some persons in the employ of the Shipping Board with reference to the cost of operation of the ships by the Army and Navy?

Mr. CAMPBELL. Could it be done?

Mr. CHINDBLOM. Yes.

Mr. CAMPBELL. I assume it could if the War Department consented to it.

Mr. EDMONDS. I do not believe it would ever be possible for the War Department to show what the transport service really costs them.

Mr. MARVIN. When we come to the transpacific we are going to suggest the same things there. Let us get what the facts are and then we will have something to guide your determination.

Gen. DOWNEY. Mr. Chairman, I simply want to make this statement: The gentleman said he would suggest having an audit made of the operations of the War Department. We are having just such an audit made now in our office and in the Shipping Board office.

Mr. EDMONDS. You are having an audit made now?

Gen. DOWNEY. We are having an audit made right now and we can give you all the figures, I think.

Mr. EDMONDS. Will that cover inactive as well as active vessels?

Gen. DOWNEY. Yes.

Mr. EDMONDS. Will it cover stevedore charges and wharf charges?

Gen. DOWNEY. To a more or less greater extent; yes.

Mr. EDMONDS. Will it cover interest and insurance?

Gen. DOWNEY. We have no insurance for the Army transports whatever.

Mr. EDMONDS. You would have to set aside insurance if you were commercially operating that line.

Gen. DOWNEY. If we were commercially operating that line; but it does not cost the Government that much as we are running the transport service to-day. I would like to state that we have run this service for 20 years and never lost a vessel nor lost a man.

Mr. EDMONDS. You have depreciation?

Gen. DOWNEY. Yes; we have depreciation, and we take that into consideration.

Mr. EDMONDS. And you may have a loss to-morrow?

Gen. DOWNEY. Yes; we may have a loss to-morrow; but we have made a pretty good record in 20 years.

Mr. DAVIS. If you had been buying insurance for those 20 years you would have been out that much?

Gen. DOWNEY. We would have been out several million dollars.

Mr. EDMONDS. Insurance is a service that is required if a man wants to carry on his business.

Gen. DOWNEY. I simply wanted to answer in regard to that question of the audit.

Mr. EDMONDS. I am glad you are making an audit, because I am not altogether satisfied with the account you turned in here and the nature of the charges you have not accounted for. Just giving the voyage expenses as the cost of making a single voyage is not the whole cost. I think you ought to include the cost of the ship while laid up in the voyage expenses.

Gen. DOWNEY. I can give you the voyage expenses right now, sir.

Mr. EDMONDS. What we want is a regular commercial statement of your operation.

Gen. DOWNEY. I have got the commercial statements right here, sir.

Mr. EDMONDS. Then we will get that a little later on.

Mr. MARVIN. On behalf of the American Steamship Owners' Association. I would like to ask that any such statement from the War or Navy Department shall include the usual commercial allowance for interest, insurance, and depreciation; otherwise, you have a showing that is absolutely deceptive. If you omit those three items it is possible for State socialists or people who hold out on the tops of soap boxes in New York City to prove beyond shadow of question that the Government can run all business in the United States more cheaply than can private enterprise. I want to say on behalf of the American Steamship Owners' Association that any statement will not be accepted by us that does not include, by the War and Navy Departments, a fair and just allowance for interest, insurance, and depreciation. And I would like to say that, while the War Department has not lost a ship in 20 years and some commercial companies have not lost ships in that time, nevertheless the commercial companies have paid insurance charges because they are forced to do so by the bankers.

Gen. DOWNEY. We include all charges except insurance, because the Government does not insure their vessels.

Mr. EDMONDS. Have you wharfage charges in there, too?

Gen. DOWNEY. Yes, sir.

Mr. EDMONDS. Stevedoring, dockage, and all that?

Gen. DOWNEY. Yes, sir.

Mr. CHINDBLOM. Are you all through with the Caribbean and West Indies?

Mr. MARVIN. Unless there are some further inquiries, we are all through with that region. I would like to call Mr. Hugh Gallagher next.

The CHAIRMAN. We will hear him after we take a recess.

(The analysis filed by Mr. Campbell is as follows:)

In analyzing the annual report of the Panama Railroad Co. for the year ending June 30, 1920, the income account of steamship operation shows a loss of \$117,676.56. This is brought about by the gross income from operations of \$6,336,787.66, and operating expenses of \$6,454,464.22. The operating expenses, however, do not show the true steamship operating costs for the year. They are as follows, charged direct to the profit and loss account, and not shown in operating expenses, amounting to \$349,763.25:

Expenses on account collision, steamers <i>Panama</i> and <i>Saratoga</i> July 30, 1917.....	\$229, 539. 44
Damage to steamship <i>Panama</i> by grounding at Ha'ti, June, 1918.....	56, 053. 08
Expenses, forwarding passengers by outside steamers.....	30, 598. 15
Legal expenses in connection with suit, Pacific Mail Steamship Co. re sinking steamship <i>Newport</i> , August, 1912.....	14, 479. 26
Loss from sale, investment securities for purchase steamers.....	13, 931. 77
Preterminal charges on cargo, South Pacific to New York, pre- viously absorbed into revenue steamship line allowed C. S. A. V.....	2, 061. 55
Repairs to steamers chargeable to operations prior years.....	2, 500. 00

In addition to this, special appropriations have been granted by the Govern-
ments, amounting to \$1,720,703.20, covering items as follows:

Install wireless on steamship <i>Culebra</i>	\$6, 359. 80
Change steamship <i>Middlebury</i> for cattle steamer.....	214, 456. 11
Repairs to Royal Mail Dock, Colon.....	41, 628. 93
Dredge basin for floating equipment, <i>Cristobal</i> , P.....	77, 411. 09
Manufacturing 400 chains for ship nets for use at pier 6, C.....	302. 75
Complete fill blk. 54, Colon.....	44, 599. 30
Convert steamship <i>Culebra</i> back to dredge.....	50, 625. 73
Alterations and repairs to steamship <i>Caribbean</i>	93, 485. 23
Overhauling steamship <i>Cristobal</i>	1, 187, 250. 30
Demolish portion of Old French Pier, La Boca.....	3, 761. 23
Repairs Paraiso Docks.....	822. 73

This also should have been shown as operating expenses. Further, there is an item of \$538,668.03, for the conversion of the steamships *Achilles* and *Ulysses* from coal to oil burners, which amount was charged direct to the coal operations account and not shown as steamship expense. The total of these items are \$2,726,811.04, which is the actual loss incurred from operation up to June 30, 1920, instead of \$117,676.56, as shown in the income account. Further, there are items amounting to \$115,096.03, which have been charged direct to the profit and loss account which also cover steamship operations from prior years. This would show a total net loss of \$2,841,907.07.

(The committee thereupon took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee reconvened pursuant to the taking of the recess,
Hon. William S. Greene (chairman) presiding.

STATEMENT OF MR. THOMAS H. ROSSBOTTOM, GENERAL MANAGER OF THE UNITED STATES LINES.

Mr. ROSSBOTTOM. I would just like an opportunity to comment on some of the statements made this morning, so as to give the committee the correct information.

At the time I appeared before the committee last June I was third vice president and secretary of the Panama Railroad Co. By an arrangement between the Secretary of War and the chairman of the Shipping Board I have been temporarily taken out of the Panama Railroad Company and am now general manager of the United States Lines, but am sufficiently familiar with Panama Railroad questions to give the committee the information it should have.

One is the statement Mr. Marvin made relative to the Royal Mail Steam Packet Co. carrying cargo from Southampton and New York on the same steamer and at different rates. In my testimony I stated that the Pacific Steam Navigation Co. or the Royal Mail Steam Packet Co. in the beginning of its operations, about two years ago, started a steamer from Southampton which proceeded to New York and then sailed from New York to the west coast of South America, and that in that steamer English merchants were able to ship fourth-class cargo at a rate, say, of \$12 a ton, while American merchants were charged for fourth-class cargo a rate of something like \$17 a ton. I am not sure at this moment of the exact figures, but that statement is correct. I have seen bills of lading covering those shipments. I am also satisfied to-day that condition no longer exists, because the Royal Mail does not operate steamers on that route. I just wanted to emphasize to the committee the fact that what I stated at the previous meeting was correct.

Also with reference to the statement of Mr. Drake as to the extension of the Panama Railroad Steamship Line's service, that it was the purpose of the Panama Railroad Steamship Line to operate steamers all over the world, and that we had 50 steamers that we could operate. The facts are a reporter of a New York paper came to Mr. Drake and asked him whether the Panama line was willing to operate any steamers for account of the Shipping Board, and Mr. Drake explained to the reporter of the paper that the Panama line was willing to operate as many steamers for the Shipping Board as the Shipping Board desired to turn over to it for operation. There was no question of the extension of service of the Panama Railroad Steamship Line by those steamers or anybody else's; it was just a question as to whether we would operate Shipping Board steamers if they were turned over to us to operate.

Now, as to the status of the Panama Railroad Co. The Panama Railroad Co. is a New York State corporation, and all of its stock is owned by the Government of the United States, as represented by the Secretary of War, who is the principal stockholder. As far as the Shipping Board having control over the Panama Railroad Co.'s line of steamers, known as the Panama Railroad Steamship Line, it has exactly the same control as it has over all other steamers of American registry. There never has been the slightest question as to the control of the Shipping Board over the steamers of the Panama Railroad Steamship Line, just the same as over all

American steamers. The authority has never been disputed by the Panama line, and it has always complied with every request the Shipping Board has made upon it.

Mr. EDMONDS. Has it ever made any request of the Panama line?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. In regard to freight rates?

Mr. ROSSBOTTOM. Yes. Now the question as to the operation of the Panama line—

Mr. EDMONDS. They never made any request with regard to operation, though?

Mr. ROSSBOTTOM. No. The only request they made as to operation, for instance, was that we operate some of our colliers in the New England coal trade during the coal scarcity of three years ago, which we did, for account of the Shipping Board. And we have always stated to the Shipping Board and members of the Shipping Board that we were quite willing to comply with any suggestion they made, because we realize the Shipping Board is the large maritime interest of the country, and it would not be proper for the Panama line to set itself up as an independent steamship organization entirely beyond the control of the Shipping Board.

Reference was also made to the practices of the Panama Railroad Steamship Line. You must remember that previous to the opening of the Panama Canal the Panama Railroad Steamship Line handled practically all of the west-coast traffic between the United States and the west coast of Central and South America and Mexico, it being brought to Panama on the Pacific side by steamship carriers on the Pacific, handled across the Isthmus of Panama by the railroad, and delivered by the railroad to Panama Steamship Line steamers on the Atlantic side. The opening of the canal changed that situation. Practically all of that through traffic that had previously been carried by the Panama Railroad across the Isthmus and by the Panama Railroad Steamship Line to New York was then carried by steamers that operated through the canal, a large proportion of which were and still are steamers of foreign registry. The principal profits, of course, of the steamship line resulted during the construction period of the Panama Canal, when it carried Panama Canal supplies at a rate which was supposed to represent cost, but it also had the benefit of this large commercial cargo, of which it now no longer has the benefit, because that is being brought by steamers through the canal, and they do not transship cargo at Cristobal.

Mr. MILLS. Are you making money to-day?

Mr. ROSSBOTTOM. No. No steamship company is making money to-day.

Mr. MILLS. You are operating at a loss?

Mr. ROSSBOTTOM. We are operating at a loss.

Mr. MILLS. How much surplus have you accumulated?

Mr. ROSSBOTTOM. We have a cash surplus of about \$4,000,000.

Mr. MILLS. An actual cash surplus of about \$4,000,000?

Mr. ROSSBOTTOM. An actual cash surplus of about \$4,000,000, and a book surplus of \$9,000,000. Since the control of the company by the Government of the United States the Panama Railroad Co. as a corporation has not declared any dividends; all earnings have been reinvested on the Isthmus in the improvement of our property, such

as construction of coaling plants, wharves, commissary buildings, terminals, etc., that has been approved of by the appropriations committee and the Secretary of War.

Mr. MILLS. What was the last year in which you made any profit?

Mr. ROSSBOTTOM. The corporation as a whole has always made a profit; the steamship line made a net profit year before last—in 1919.

Mr. DAVIS. Mr. Mills, on page 122 of the hearing you will find an itemized statement by years there that Mr. Rossbottom gave before.

Mr. MILLS. Thank you very much, Mr. Davis. Then I won't pursue this line of inquiry any further.

Mr. DAVIS. I did not mean to interrupt you—

Mr. MILLS. No; I welcome the suggestion. There is no use of having a repetition.

Mr. ROSSBOTTOM. The next question is as to the number of steamers operated. The impression must have been created in the minds of the committee this morning that the number of vessels operated by the Panama Railroad Steamship Line had increased considerably and that consequently was at the expense of privately owned steamship lines. In the testimony I gave before the committee last June I stated that the *Achilles*, of 13,500 tons capacity, the *Ulysses*, of the same capacity, were naval auxiliary colliers constructed under supervision of the Navy Department by congressional appropriations and operated in the coal trade between Hampton Roads and the Canal Zone. The Panama Railroad Steamship Line receives not one cent from their operation; that all goes to the credit of the operations of the coaling plants on the canal; the Panama Railroad Steamship Line operates those steamers without any profit. The same applies also to the steamers *Ancon* and *Cristobal*, steamers of 10,000 tons capacity when used in the coal trade, and also two barges used in the coal trade of 7,500 tons capacity.

The operation of those steamers, which are engaged in the coaling trade between Hampton Roads and Cristobal are not reflected in the financial operations of the steamship line. The steamship line receives not one cent of revenue from it, although it operates the vessels.

Mr. EDMONDS. Are they included in the statement of operations you sent to Mr. Greene?

Mr. ROSSBOTTOM. No. Those are colliers.

Mr. EDMONDS. You have reported for 1921, ten ships.

Mr. ROSSBOTTOM. Yes; but in our steamship line accounts we do not include the operation of the six colliers. Those are included in the operation of the railroad corporation.

Mr. DAVIS. Do you mean these colliers carry that coal for the use of the Panama Railroad Co.?

Mr. ROSSBOTTOM. Yes; and for the Panama Canal and all the ships that transit the Canal. We have coaling plants at Cristobal and Balboa for the purpose of furnishing coal to all steamers that transit the Canal. The actual cost of the operation of our colliers is charged to the coaling plant, and in fixing the price at which coal is to be sold, that is taken into consideration.

Mr. EDMONDS. Is that the reason you charge more for coal down there than they do in Jamaica?

Mr. ROSSBOTTOM. No; we do not charge more for coal down there than they do in Jamaica. The rate has been reduced.

Mr. EDMONDS. When; recently?

Mr. ROSSBOTTOM. Recently. We purchased our coal under contracts prepared by the Fuel Administration a year ago last July. Subsequent to that time the price of coal dropped and we were tied up by contracts—

Mr. EDMONDS. You got caught like the rest of us?

Mr. ROSSBOTTOM. We got caught like the other coal purchasers. About six months ago, in the hope that we might be able to get rid of the large supply of coal on hand, we reduced the price of coal by \$3 a ton at Cristobal and Balboa, which yielded a figure of less than the actual cost.

Mr. EDMONDS. How long ago was that?

Mr. ROSSBOTTOM. That was about seven or eight months ago.

Mr. EDMONDS. What price did that make; do you remember?

Mr. ROSSBOTTOM. I think \$12 and \$14; \$12 at Cristobal and \$14 at Balboa, on the Pacific side. We maintained those figures, I think, for about 60 days, and the Panama Railroad Co., by that, lost about \$2 a ton on all the coal sold. We lost approximately \$100,000 in trying to increase the sale of coal on the Canal Zone to get rid of our surplus, but it was not successful, and we went back to the old figure, I think, of \$15 and \$17. Recently, effective, I think, as of October 15, the price was again reduced to \$12 and \$15. We were able to do that because since last July we have been able to send down coal under new contracts at \$1.50 under the old rates.

Mr. EDMONDS. Even with that, you are not competing with the Virgin Islands?

Mr. ROSSBOTTOM. We are lower.

Mr. EDMONDS. Their rates are \$12 there.

Mr. ROSSBOTTOM. But not \$12 trimmed in bunkers. It is not a question of what the rate is, but how quickly you can get rid of the steamer. At the canal we have a coaling plant which cost \$3,000,000, and we can coal any steamer that comes there in 12 hours. The small steamers are coaled and the coal trimmed in bunkers in from three to four hours and the large steamers in 12 hours. It is very, very seldom that a steamer is delayed at the Canal Zone in coaling more than seven or eight hours. Just for the information of the committee I will tell you how that rate is made up. The coal cost was \$3.36 per gross ton, delivered at the mines. Then we paid the freight rates, which as I recollect is \$2.80 a ton—

Mr. EDMONDS. \$2.88, I think, counting the tax of 8 cents.

Mr. ROSSBOTTOM. Yes; counting the tax.

Mr. EDMONDS. \$2.88 including the tax.

Mr. ROSSBOTTOM. Then we have the transportation to the Canal Zone, which costs us \$2.75 a gross ton. We have to take it out of the collier and put it in the coaling plant, then take it out of the coaling plant and dump it into the steamers and trim it into their bunkers, and for that we receive \$12 a ton. You see we are pretty close to actual cost.

Mr. EDMONDS. You are still not competing with the Virgin Islands or Jamaica. Of course, it may be more convenient to get coal there, and for that reason they are willing to pay the price; but their price is below that yet—trimmed.

Mr. ROSSBOTTOM. Now, the next question is the service to Haiti. Reference was made to the fact that the Panama Railroad steamers

were exempted from some light dues when they first went into Haitien ports. As a matter of fact, the Haitien Government was so anxious to have the Panama Line enter this Haitien service that they petitioned the State Department to have the Panama Line stop there. The State Department also brought pressure to bear on the Secretary of War to have the Panama Line steamers stop there, because the port at which we first stopped was something like 90 or 95 miles out of our regular run. The Haitien Government was so anxious to have us stop there that it did make concessions as to some lighthouse dues or some other dues—I do not know just what. I do not know whether that condition exists to-day or not.

Mr. EDMONDS. Is that what they call the marine government?

Mr. ROSSBOTTOM. No; the Haitien Government itself handles that. Now, the question of transshipment—

Mr. DAVIS. Before you get to that, there seems to be some conflict between you and one of the other witnesses—I have forgotten his name—or else some misunderstanding on the part of the committee as to whether they were rendering service to Haiti when the Panama Steamship Co. went in there. What are the facts about that?

Mr. ROSSBOTTOM. I referred to that on page 103 of the hearing, and I made a complete statement as to that in the last section, on page 103. That statement is correct. And the Panama Line service started in July, 1917, and not in 1918. Mr. Marvin was of the opinion it started in 1918; it started in July, 1917.

Now, the question of the Colombian service that was discussed this morning: The only service that the Panama Railroad Steamship Line operates now, as far as Colombian traffic is concerned, is a small cattle steamer that can carry about 300 tons, that we operate for our commissary department between the Canal Zone and Puerto Colombia and Cartagena to secure cattle for the Canal Zone. And the rates on Colombian traffic for that steamer and by the Panama Line between Cristobal and New York are on the basis of a differential of 10 per cent from direct rates. As a matter of fact, we can not with that transshipment service get any cargo from New York to Colombian ports. Once in a while we get a ton of freight for our steamer, but usually we receive nothing at all, because the shippers will have nothing to do with a transshipment service when they can avail themselves of a direct service. On traffic from Colombia the situation is a little bit better, because that consists of cargo that can stand transshipment to a certain extent. It consists of coffee, for instance, some cocoa, and hides, rubber, and commodities of that kind; but the amount of cargo that can be carried by the *Caribbean* is limited to 300 tons. It operates once every week or once every 10 days, and it is only with considerable difficulty that we can secure any cargo at all in competition with direct steamers. If I were a shipper of cargo from Colombian ports or if I were a shipper of cargo to Colombian ports I would not avail of a transshipment service at a differential of 15 per cent if I could get some direct steamer. You have one more handling out of the steamer onto the wharf and from the wharf into the steamer at the Canal Zone that you do not have with cargo loaded into a direct steamer, and there is a loss consequent upon this extra handling. There is bound to be, because you can not prevent the stevedores from han-

dling the cargo with their hooks. And the time is not, as stated this morning, 12 days; it is nearer to 17 days. Now, time is not the important factor; it is the question of the handling.

That same situation arises in connection with the Haitien traffic to Europe via New York. We can make better time on coffee from Haiti to France via New York than they can by direct steamers; yet we can not secure that traffic, because the shippers will not put up with the handling and loss consequent upon a transshipment service; the loss on transshipment business on coffee from Haiti to France via New York is pretty close to 3 per cent, while the loss on business by direct steamers is a little bit less than 1 per cent; and, although there are thousands of bags of coffee being shipped from Haiti to France direct, we can secure but very, very little of it, because the shippers and consignees avoid a transshipment service. I just mention that so as to correct the impression which may have been created in the minds of the committee that a transshipment service is as good, or anywhere near as good, as a direct service. It is not; it never was and never can be.

Now, on the question of the Panama Line being invited into the conference and that it would not join unless it had the right to fix our own rates. There is absolutely nothing in that. The only conference which I attended, and I think it is the one to which the gentleman representing the Clyde Line refers, was a conference that the Shipping Board suggested we attend with a view to reaching some understanding as to rates between New York and Haiti. The rates from Europe to Haiti were less than the rates from New York to Haiti. And that is part of the general scheme of the European steamship lines. The European steamship lines are bound to control that Caribbean traffic. They do it by their own steamers from Europe, quoting lower rates than steamers from New York, although Europe is some 2,000 miles greater distance. And the proposition made to me was that we join this conference and agree as to the conditions, and that the first thing we must do would be to increase rates. Now, if I were the operator of a privately owned steamship line and other operators came to me to increase rates, naturally I would want to increase rates, because all I would be interested in would be the increase of my own dividends or the dividends to my own stockholders. But in operating a corporation owned by the Government of the United States, the operating managers have to be very, very careful.

They can not avail of every opportunity to increase rates so as to increase dividends, because then they would subject the Government to criticism on account of unduly increasing rates; the policy by which the Panama Line has been operated has been to increase rates only when the increase was justified by operating conditions. Now, we could not at that time increase the rates to Haiti when the rates generally throughout the world were falling; it was a ridiculous proposition, and we did tell the Clyde Line representatives and the Shipping Board that if the conference was for the purpose of raising rates we could not agree to raising rates—that we would agree to anything else except the raising of the rates.

Later the Panama Line was requested to enter conferences by the Shipping Board, and the first request was that we should join

the conference of the West Coast Carriers, which we did as soon as the invitation was extended to us; the Panama Line is now a member of the conference of the West Coast Carriers and has been ever since the invitation was extended to us. The Shipping Board also suggested that we make application for membership in the Caribbean conference. Application was made as soon as we received the suggestion and our application was denied; the other lines did not want us in.

I would now like to speak to you gentlemen just about this conference business. It seems to me you ought to know just a little more about the details of it. For instance, you want to recollect that the traffic between the United States and the Caribbean and the west coast of Central and South America is directly American traffic; that is really the Mediterranean of the United States. Foreign steamship lines have no business in it at all; the English lines, the Dutch lines, the French lines, the Norwegian lines—those lines that operate in that traffic—have no business there. It is strictly American traffic, and the bulk of that traffic nowadays is gradually, but surely, being controlled by those foreign lines, and they do it not only because they operate from the United States, but because they operate also from Europe, so that they have it in both directions—they have it from Europe and from the United States.

Now, here is what your conference does: You establish a conference with the idea of maintaining rates from the United States and preventing unnecessary rate wars. In the first place, your conference pays very, very little attention to what the rates from Europe are; that is a side issue, has nothing to do with it, and you invite all those foreign lines into this conference and agree as to the rates that shall be made. The foreign lines are there and you agree as to what shall be done; the conference is dismissed; they get outdoors and nobody pays any attention to the agreement; they do just as they please. They not only rebate, but they submit bills for less than the actual amount of the freight charges or they accept less than the bills call for; they accept erroneous weights and measurements, and somehow or other they secure the business; the fact of these American lines in this strictly American traffic inviting European lines and foreign lines to become members of this conference is the most ridiculous thing to my mind that could be attempted. It should be a conference of the American lines, and not for the American lines to invite the foreign lines to come in there and see what the American lines are going to do, so that the foreign lines can do a little better. So far as slick practice is concerned, the American lines have a whole lot to learn from the foreign lines, which have been in business for a number of years and know how to do it. If this situation keeps up there will be no traffic for American lines between the United States and the Caribbean and Central and South America; it will all be controlled by the Hamburg-American, the Royal Mail, and the Royal Dutch, and that is the situation you will have to look out for.

Now as to the *Ancon*, some reference was made to the fact that because the steamship *Ancon*—

Mr. EDMONDS. Let me ask you something right there. What would be the effect if it were required that all direct trade to the United States should be carried in ships of the American flag?

Mr. ROSSBOTTOM. If you could do it, it would be a dandy thing for the American merchant marine.

Mr. EDMONDS. What retaliatory measures could the other folks take?

Mr. ROSSBOTTOM. You have two trades, you must bear in mind. I do not believe the United States is ever going to control the European trade. You are not going to do it. But you ought to control the South American trade.

Mr. EDMONDS. Take a case where we are importing coffee, we will say, from Brazil or some of those countries down there: It is either carried in American ships or in foreign ships, both coming to New York. Suppose we required the produce of that country could only be carried into this country in American ships what would happen?

Mr. ROSSBOTTOM. I do not see that anything could happen in that particular trade. Of course, it would give those foreign countries a chance to retaliate, and as far as shipments going to and from Europe is concerned, they could insist that all traffic to Europe come in European ships and go from Europe in European ships, but they could not affect you in the Central and South American traffic.

Mr. EDMONDS. You have two kinds of trade, a direct trade and an indirect trade. Take the produce of England and Germany coming in ships of the English and Germans to the country here and the produce of Brazil coming to the country here, could we not control that; do any other nations control trade in that way?

Mr. ROSSBOTTOM. No; I do not know that they do. Here is your trouble and is going to be your trouble in operating this American merchant marine: We are children at this business; we do not know how to do it as compared with the foreign nations, especially these nations of Europe. The American sailor is used to better living conditions than they have on the other steamers and you have to offset it some way or other, you have to meet that condition somehow or other. Now, this suggestion has often occurred to me, that you establish a conference, in which all of the different lines will be required to be represented; that they establish rates and conditions covering a certain trade, and be compelled by law to maintain their agreements.

Now, that is exactly the same kind of situation that existed, as you gentlemen will recollect, before the Interstate Commerce Commission took charge of the railroads of the United States. The railroads used to get together; all promised to be good; they established rates and conditions; then the conference adjourned; and they used that tariff only as a basis to cut from. That is exactly what is going on now. The Interstate Commerce Commission stopped it, or Congress stopped it, by making it unlawful to accept or to give refunds. Making it unlawful for a railroad company and also making it unlawful for the shipper and every one connected with it and imposing heavy penalties and jail sentences. I do not know whether you ought to do that as far as the steamships are concerned, but it has seemed to me that some plan ought to be worked out by which the steamship lines are compelled to join conferences and compelled, whether foreign or American, to live up to the rates and conditions established by those conferences, and some department of the Government ought to be given the right to refuse clearance to any line,

regardless of whether foreign or American, which refused to abide by those conferences or which resorted to slick tricks for the purpose of securing traffic.

Mr. EDMONDS. I think we have that in the Jones bill now.

Mr. ROSSBOTOM. It is never applied.

Mr. EDMONDS. I agree with you there, that it is never applied. It was applied, however, right down there in the Gulf and the conference broke up. It was applied in connection with the Ward Line by this committee. We forced a showdown with the Shipping Board, and the Shipping Board took the matter up and the conference broke up—in connection with the Leyland Line running from New York to Liverpool and European ports and not allowing our lines to join the conference.

Mr. ROSSBOTOM. We are in that kind of a situation right now, with the Panama Line—of course, I am not directly connected with the Panama Line now, but I go there every day, just to keep in touch with its affairs—where we had a shipment to Ecuador offered to the Panama Line; booked by the Panama Line and accepted, but it did not show up. We lost it. We went to the shipper and found out the shipper had received a lower rate from a foreign line, and the cargo moved by the foreign line steamer and sailed two or three days ago. That was brought up in the conference, and the foreign line denied there was anything wrong with it; that they quoted the tariff rate and got the cargo simply because the service must have been better than the Panama Line extended. That is the same old excuse given at every meeting; the man who gets the cargo never knows the rate has been cut or that his outfit has cut the rate, and always he will show surprise that his outfit is guilty of that kind of thing and will always promise to be good thereafter. Just so long as conferences are allowed to be operated on that basis and foreign lines allowed to come in and find out what American lines are going to do and have agreed to, just so long you will have this situation which has favored the increase of tonnage carried by foreign as against the tonnage carried by American steamships. That kind of tomfoolery and nonsense must be effectively stopped if an American merchant marine is to be developed and maintained.

Reference was made to the *Ancon* again this morning, to the effect that the *Ancon* went into Galveston and accepted a cargo of sulphur at less than the conference rate and, as a result of that, that four Shipping Board steamers were tied up and are still tied up. I just want to say it is a very good thing that the Shipping Board did not take the cargo, because the Shipping Board would have lost considerable by taking that cargo. The reference to that was made by me on page 108 and I stated that the agent of the Shipping Board was entirely responsible and the *Ancon* had nothing to do with it.

Mr. EDMONDS. Yet their rate was considerably higher.

Mr. ROSSBOTOM. It did not pan out a profit to us; we lost about \$15,000 on it; but on page 108 I explained the whole situation.

About the extension of the service to Colombia, reference was made to the fact that our service was extended to Colombia in July, 1917, at a time when we cut rates 25 per cent. What happened was that the American lines increased their rates by 25 per cent. We had one steamer which had already booked freight at the old rates

and we quoted the old rates simply because the European lines that were operating to Colombia, that is, to Cartagena and Puerto Colombia, which were the Royal Mail Steam Packet Co., the West Indian and the Harrison Lines, were quoting even lower rates from Europe to Colombian ports than were being quoted by the American lines from New York to Colombian ports. That was that one steamer. After that, the American lines reduced their rates to the old basis and we kept along with them; we made no reduction from them.

Mr. HARDY. You went over most of that before, did you not, Mr. Rosbottom?

Mr. ROSSBOTTOM. I did; but I just brought it up again at this time because it was referred to this morning.

Mr. HARDY. That is the reason I was asking the gentleman making the issue to point out some fact Mr. Rosbottom had stated that was not so, and, so far as I was present, there was no effort to do it.

Mr. ROSSBOTTOM. Here is a recent illustration of the effect that the Panama Line has on rates to Central and South America. A conference was established on rates from Ecuadorian ports to New York. That conference was dominated by foreign lines. The conference was held in the Canal Zone. The Panama Line had at that meeting a representative who knew little about traffic and market conditions in the United States. The first pop out of the bottle they worked out this plan; that they would maintain present rates from Ecuador to New York, but would reduce the ton basis from 2,240 pounds to 2,000 pounds—a mighty nice game. It had the effect of increasing rates from Ecuadorian ports to New York by about 12 per cent, but they did not touch the rates from Ecuadorian ports to Europe; they remained at the same old level. The result was that the carriers to the United States—this applies not only to the Panama Line but to some other carriers—lost some 18,000 bags of coffee that could have come to this country, but which did go to Europe. We had some 6,000 bags ourselves and just as soon as the rates became effective we lost the business and it went to Europe.

Mr. EDMONDS. Don't you always ship on a basis of 2,240 pounds?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. And they ship—

Mr. ROSSBOTTOM. Two thousand two hundred and forty pounds is the European basis, too.

Mr. EDMONDS. Then you reduced—

Mr. ROSSBOTTOM. We did not reduce the rate; the same rate was maintained, but the ton was reduced to 2,000 pounds from 2,240 pounds, so that the shipper to New York, instead of paying \$18.40 on 2,240, as he had been paying, under the new scheme was required to pay \$18.40 on 2,000 pounds, and the shipper to Europe paid \$18.40 on the 2,240 pounds.

Mr. EDMONDS. He did not reduce his?

Mr. ROSSBOTTOM. No; he did not reduce his. That conference was controlled by foreign lines, and as a result of the protest made by the Panama Line, a protest indorsed by the New York agent of the Royal Mail Steam Packet Co., the rates from Ecuador to New York were restored. I think that happened about three months ago.

Now, about the Haitien situation. I wish this committee would ask the State Department to send to them some of the reports that

have been received from the consuls in Haiti relative to the propaganda that has been going on for the past six months as to the Panama Line being driven out of Haiti. The State Department at the present time has its financial adviser here in Washington, Mr. John McIlhenny, who probably knows more about traffic conditions between the United States and Haiti and Europe and Haiti than any other man I know—I just wish the committee could find the time to call Mr. McIlhenny, or some representative of the State Department, who could inform you more as to what the conditions in Haiti are and what effort is being made by the United States to develop that commerce and what the effect would be of forcing the Panama Line out of Haiti.

Mr. EDMONDS. Does the Navy Department carry any trade out of Haiti?

Mr. ROSSBOTTOM. No. The Marine Corps is stationed there, and once in a while they have a Navy transport arrive there with marines, but they carry very, very little freight—only their own shipments, and most of them are shipped on the Panama Line. Now, the question of the Haitian traffic is an important one. Haiti during the war had in its possession a large quantity of cocoa and coffee and cotton that could not be shipped to Europe because of the war conditions.

Mr. HARDY. Would you mind my going back a little bit to ask you a question? You were talking about the proposition or suggestion that there ought to be a conference rate agreed to and penalties imposed upon any shipper who would violate that by any tacit agreement, or anything of that sort, were you not?

Mr. ROSSBOTTOM. Yes; I did.

Mr. HARDY. Would your company, the Panama Railroad Steamship Line, have any objection to becoming a member of a conference which embraced both European and American shipowners and agreeing upon the terms by which neither your company nor theirs should underbid each other?

Mr. ROSSBOTTOM. Not the slightest objection.

Mr. HARDY. As I understand, that whole situation seems to have been brought about by the fact you were down there struggling to hold American business; the European carriers were undercutting you and the other American ships were raising the rates; and you got in and got your share as against your European competitors?

Mr. ROSSBOTTOM. That is it exactly, as far as Haiti is concerned.

Mr. HARDY. And those companies that were raising cane and starting propaganda to put you out of business—they had raised their rates and the traffic was going to Europe?

Mr. ROSSBOTTOM. Yes.

Mr. HARDY. You state that?

Mr. ROSSBOTTOM. There is no question about that.

Mr. HARDY. As I understand you, you would have no objection to entering a conference of both you and the European ships, so that none of you would cut each other's throats?

Mr. ROSSBOTTOM. Not the slightest.

Mr. HARDY. And you would be in favor of a law refusing clearance papers to any company that did undercut rates?

Mr. ROSSBOTTOM. Refusing clearance to a ship that did undercut rates.

Mr. HARDY. That is the only way to control it, is it not?

Mr. ROSSBOTTOM. That is the only way to control it; just as it is now with the Interstate Commerce Commission—you could not get a rebate, because either the officials of the railroads or the shippers would go to jail.

Mr. HARDY. I think the original shipping bill was intended to cover practically that proposition, except we did not force membership in the conference, but we authorized the organization of the conference and the fixing of rates.

Mr. DAVIS. Mr. Edmonds, I know you have given these matters a great deal of study. Have you ever thought about the feasibility—and I address this to Judge Hardy and to Mr. Rossbottom also—have you ever considered the possibility of undertaking to get the foreign Governments themselves to enter into a treaty with the United States by which they would each enact a similar law to punish a violation of an agreement such as Mr. Rossbottom has suggested?

Mr. EDMONDS. No; I have not. It would be very hard to accomplish, I imagine, because while it would only cover seven or eight countries the probabilities are they would hate to give up the advantages they get by playing the double game that they do, and I do not think there is any question that they play a double game when ever they can. We have tried in the Jones bill in regard to deferred rebates and other practices of that kind, or refusing to let American lines into the conference, to stop them from coming to our ports, which is the worst punishment we can give them, and it is probably a very severe punishment to them, too. And I would favor the extending of more authority to the Shipping Board or some department of the Government to refuse clearance from our ports for foreign vessels and then provide a great many other penalties. That, in my opinion, would be the best way to cure it. They had a conference, and the Ward Line were refused membership in the conference. The French Trans-Atlantique, the Leyland Line, and a number of those lines started out of New Orleans and then went over to Cuba and corralled the whole business at Cuba on a deferred-rebate arrangement. The result is our ships when they left New Orleans to go to Cuba could not get any freight, because a man was prohibited shipping one ton of freight on the Ward Line to go to Spain.

If he did, he lost the deferred rebate, because it would only be paid to him every six months. What we said in the Jones bill was if there was a conference of that kind, or a rebate arrangement of that kind outside of the United States, and our ships were not allowed in the conference on equal terms with other ships, that the ships of the companies in the conference would be forbidden entrance to the ports of the United States, and therefore they could not get up a subsidiary line and do that over here and run the regular line to New York, we will say. The minute we did that, as I understand it, they broke the conference up by stopping the deferred rebates, and things went along in the ordinary business way.

Mr. HARDY. In your judgment, haven't we done about all we can do about that?

Mr. EDMONDS. No; I think this—I think we could do certain other things—for instance, the entering of a conference by the foreign lines and then their breaking the agreement.

Mr. HARDY. That is the suggestion of Mr. Rossbottom a minute ago?

Mr. EDMONDS. Yes. That would cure Mr. Rossbottom's situation, because there is not a steamship line in business to-day that wants to make money that does not want to come to the United States. It is very likely the minute they cut loose from that they won't make very much money. I think the gentlemen here would agree with me on that.

Mr. HARDY. That suggestion of Mr. Rossbottom's about compelling them to abide by the conference agreement, I think, is new.

Mr. EDMONDS. It is new; it is new to me, and I am just trying to think if we can extend that same penalty where the men running foreign lines and American lines enter into agreements together, and then they bring in proof of a double game by telling a man "I will give you 10 per cent off, but I will pay you in London," or giving him his insurance free, or any agreement for paying a subsidy to the shipper so that they will get the freight—any of those practices. You would have to extend it over a number of different practices, because as fast as you cure one they get another one. They will tell the fellow "I will pay your insurance."

That is a rebate and it is covered. If you say any of those practices, if they are found out in the future, that the line or interest, whatever it may be—for instance, if it is a branch line or a subsidiary line or a collateral line, running under virtually the same ownership—would be refused the ports of the United States, or the ports of any American colony, I think you would find that they would very quickly cure that sort of thing. I think the result down in the Caribbean conference at that time shows that.

Mr. HARDY. But are we not trying to give some special favors to our ships as well?

Mr. EDMONDS. You are doing that.

Mr. HARDY. And would not we have to clean our own house before demanding so much cleanliness on the other side? Aren't we arranging for lesser freight rates on steamship lines and railroads, and things of that sort, if the shipper exports stuff on our lines?

Mr. EDMONDS. Don't you see, the shipper himself has a great deal to do with it. If he gets a better price for a commodity in Europe than he does here, he ships to Europe. The result would be, suppose we had a conference right over here and all of these lines there in the conference, you would still have to consider the shipper and the amount of net gain he was going to get from his goods when he got them on the other side. Mr. Rossbottom said right here on coffee down in Colombia if the chances are a man would get more for his coffee by sending it to Europe he would be a fool if he did not send it to Europe. The result would be, no matter what conference you got up, there would be no chance of monopoly creeping in, because the freight rates have to consider the shipper and the return he gets for his goods.

Mr. HARDY. What I mean is this: If cut-throat practices are to be abolished by one nation, they will have to be abolished by all nations, and it seems to me our only position should be to prevent cut-throat methods entirely, both by ourselves and by others.

Mr. EDMONDS. I am perfectly willing to do that if it is possible, but I do not see how. Here in this recent investigation we found

out the English were using rubber-stamp provisions on the bill of lading to get trade. These men over here get up a bill of lading it would take a solon to read. The poor business man has not the ghost of a show when he reads it. They have provisions in there covering things from the time the earth started up to the present that ought not to be in there, and then they go to work and say, "We will stick to that bill of lading." Then, not thinking it is good enough, they get up a lot of rubber-stamp provisions and stick them all over it. What does the Englishman do? He says, "I don't like that provision." They say then, "All right, cross that out." And if you make things too tight, you will lose the business, and if the shippers are just as shrewd as they are, then you will get the business.

Mr. HARDY. If they are not as shrewd, do you think this committee can make them compete, or any other committee?

Mr. EDMONDS. No; I do not think you can. But I think this committee brings forth a lot of information to the other people. The coastwise provisions in the English bill of lading are plain, and a man in five minutes can sit down and understand where he is. Our coastwise bill of lading has all these silly provisions in it—absolutely silly—and just tacked on there. I would not attempt to read it. If I were going to ship on a bill of lading and had to read it and know what was in it, I would not ship.

Mr. HARDY. And yet everybody wonders why we do not succeed.

Mr. EDMONDS. I am just showing you what happens.

Mr. HARDY. I am taking your statement for it. If it is correct, can we do anything?

Mr. EDMONDS. The Wrigley people ship all of their chewing gum over the Canadian Pacific Line from the Pacific coast. I think we can cure that as we go along.

Mr. ROSSBOTTOM. In our own conference between our lines and foreign lines, our own members get together and agree on what the rate shall be, and then each one gets outside and does as he pleases, and the foreign lines do a little more than the American lines and get the business. It is a slick game and until you tie up the American lines and the foreign lines so that they must abide by their conference agreements, you are never going to accomplish anything.

The CHAIRMAN. You know why that legislation was put on the statute books?

Mr. ROSSBOTTOM. Yes; but I don't think it fills the bill.

The CHAIRMAN. It was put on to do just what you say you do not want done.

Mr. ROSSBOTTOM. There are all kinds of tricks they use. This is one that happened several months ago. We measured a certain type of tonnage and measured it so much and we lost the business; it went by a foreign line. They cut out the inches and just measured the feet and the result was the shipper paid very much less to the foreign line than he would have paid to us. The American companies try to measure packages correctly. The foreigner comes along and adopts an arbitrary measure. That is one thing. Another instance I know of is a case where the shipper was presented with a bill for freight charges of a steamship company on the west coast, and he told me the amount of money he paid was not the amount of the

bill, and he got a receipted bill. They resort to all kinds of tricks, and until you stop it they are going to continue to get the business. And the only way to stop it is to do as you did with the Interstate Commerce Commission; put them in jail where you find that kind of a condition.

Mr. DAVIS. Why should not these conferences agree on a common bill of lading, too, and let it be a violation of law for any of them to change it?

Mr. EDMONDS. I do not think you can do that exactly with foreigners; but I think the bill of lading situation is approaching some kind of a solution now. It is working out, anyhow. There is an international congress held on bills of lading to agree on certain basic principles, and if this can be put into effect I think you will get a more sensible situation in the bill of lading.

Mr. ROSSBOTTOM. Now, as to Haiti, the traffic between Haiti and the United States, up to the beginning of the war, was controlled by the Hamburg-American Line and the Royal Dutch Line, and once in a while the Leyland Line operated some steamers—not very many. They were freight steamers. That traffic is going to be controlled again by the Hamburg-American Line, which has already made arrangements to start service to Haiti. They have already appointed their fleet captain and have appointed the agents in the Haitian ports.

Mr. DAVIS. What is the nationality of that company?

Mr. ROSSBOTTOM. German. The Royal Dutch is your controlling factor with traffic between the United States and Haiti at the present time. If you drive out the Panama line from Haiti it will not be very long before the Haitian traffic is controlled again by the Royal Dutch and Hamburg-American Lines.

Mr. MILLS. Why is that?

Mr. ROSSBOTTOM. Because they can not operate their steamers the way the foreigners do.

Mr. MILLS. Why can you?

Mr. ROSSBOTTOM. We can not; if we depended entirely on Haitian business we could not do it.

Mr. MILLS. The Clyde Line does not depend entirely on Haitian business.

Mr. ROSSBOTTOM. They have steamers they have been sending to Haiti—Shipping Board steamers principally.

Mr. KIRKPATRICK. Mr. Pearsall said the opposite this morning.

Mr. ROSSBOTTOM. I think it would be interesting for this committee to have all the tonnage and see how much they carried to Haiti and how much to other ports.

Mr. MILLS. If a privately owned line can not live, why is it that the Government line can live?

Mr. ROSSBOTTOM. The only reason the Panama Line can live is because it has a nucleus of cargo in the steamers operating to the Canal Zone.

Mr. MILLS. Suppose private lines had that same nucleus, then couldn't they do it as well as you could?

Mr. ROSSBOTTOM. Just as well, but with this exception—they have to return dividends to their stockholders and the Panama Line does not.

Mr. MILLS. Can any American line exist which has to pay dividends and compete against a Government-owned line that takes the position that it does not?

Mr. ROSSBOTTOM. No.

Mr. MILLS. In other words, the Government line must, on the basis which you just suggest, drive out every American line in that particular trade.

Mr. ROSSBOTTOM. There is only one American line there.

Mr. MILLS. I know.

Mr. ROSSBOTTOM. If you drive out the Panama Line from the Haitien traffic, the Clyde Line will naturally be driven out in a very little while by the Royal Dutch and the Hamburg-American Lines.

Mr. MILLS. You are driving them out to-day, or helping to drive them out to-day.

Mr. ROSSBOTTOM. I do not think we are.

Mr. MILLS. It stands to reason if you are absorbing a certain amount of business and operating at cost, without making any profits, no privately owned line can compete with you, does it not?

Mr. ROSSBOTTOM. That is right.

The CHAIRMAN. As long as the Treasury of the United States is open to you you are happy, and that is the thing that happened all through the war.

Mr. ROSSBOTTOM. The Treasury of the United States does not pay out one cent for operating the Panama Line.

Mr. MILLS. If you pay the principal operating cost and pay fixed charges, you are all right?

Mr. ROSSBOTTOM. That is right.

Mr. MILLS. And of course no private line could be conducted on that basis.

Mr. ROSSBOTTOM. That is right.

Mr. HARDY. I understood you to say if the Panama Line were driven out, then the Hamburg-American Line would have it. I know the general disposition is to try to kill off the little Panama Line, but they can not succeed.

The CHAIRMAN. I do not care anything about that; I care more for the American merchant marine than I do for all the other stuff.

Mr. ROSSBOTTOM. Reference has been made to the reports of the Panama Railroad Co. The accounts of the Panama Railroad Co. are kept in accordance with the requirements of the Interstate Commerce Commission, and the books and accounts of the company are audited each year by Haskell & Sells and passed on by Haskell & Sells, which is one of the best-known chartered public accountants in the United States.

Mr. EDMONDS. That simply means your reports are made on commercial lines, just the same as those of any other line?

Mr. ROSSBOTTOM. Exactly the same.

Mr. EDMONDS. Have you any insurance charge?

Mr. ROSSBOTTOM. No; we are prohibited from carrying insurance by Congress. We used to carry insurance and then Congress tacked something onto a bill that prohibited us from carrying insurance.

Mr. EDMONDS. Last year you showed a deficit, and if you had carried insurance it would have been greater?

Mr. ROSSBOTTOM. There is no doubt of that.

Mr. EDMONDS. Do you carry a depreciation charge?

Mr. ROSSBOTTOM. Yes; 6 per cent.

Mr. DAVIS. But you have carried the Panama Canal traffic on a cost basis?

Mr. ROSSBOTTOM. Yes; we have carried the Panama Canal traffic at cost, which is the tariff less 25 per cent, and we have carried the canal employees for \$25 as against a tariff rate of \$100.

Mr. HARDY. And with all that, you had a deficit of how much?

Mr. ROSSBOTTOM. Two hundred and sixty-some thousand dollars.

Mr. HARDY. As against private companies operating of how much?

Mr. ROSSBOTTOM. I have not the slightest idea; but I know no American steamship line made money in the Caribbean last year or the present year.

There is one thing more; the special cement rate. Reference was made to the Panama Line, quoting a special rate on cement, that made it necessary for the Raporel Line or the Clyde Line to refund 50 per cent of that rate to its shipper. That situation arose in this way: The Haitian Government was interested in the construction of public works, and the minister of foreign affairs requested the Panama Line and the Royal Dutch Line to reduce their rate by 50 per cent on cement so as to enable the Haitian Government to arrange for this particular construction. The Royal Dutch Line was the first one that agreed to it, because they were the ones first requested. As soon as we found it out, we agreed to it. Then the Haitian Government either forgot to take it up with the Clyde Line, or if they did take it up with the Clyde Line their agents forgot to take it up with their principals. Then we notified the shippers that our rate on cement would be \$6, just the same as the Royal Dutch Line had done before us.

Reference was also made to the loss of the steamer *General G. W. Goethals*—about her being on fire. Fire broke out in one of the cargo holds and we had to flood the hold which damaged the cargo and damaged the ship by something like \$1,400 or \$1,500. It did not amount to anything.

Mr. EDMONDS. Where there is a loss like that, is that charged to operating expense?

Mr. ROSSBOTTOM. That is charged to operating expense.

Mr. EDMONDS. And where you have any extensive repairs to make is that charged to operating expenses?

Mr. ROSSBOTTOM. No; we have an account designated "general and extraordinary repairs." Every month we charge up a certain amount to the general and extraordinary repair fund, and when we have a large repair we charge it to that account. But for the ordinary running repairs, they are charged to operating expenses.

Mr. MILLS. Do you pay any taxes?

Mr. ROSSBOTTOM. Yes.

Mr. MILLS. What tax do you pay?

Mr. ROSSBOTTOM. On the capital stock. Year before last we paid an income tax, I think, of about a million dollars to the Government of the United States.

Mr. EDMONDS. Is that charged up to operating expenses, too?

Mr. ROSSBOTTOM. Yes; that is charged up to operating expenses.

Mr. EDMONDS. That is on a profit of how much?

Mr. ROSSBOTTOM. The net income is arrived at after deducting all operating expenses and all taxes.

Mr. HARDY. What net income would that mean—a million dollars income tax?

Mr. ROSSBOTTOM. I think the gross income for the railroad as a corporation, at that time, was something like \$3,800,000. It is in the statement that I submitted to you.

Mr. HARDY. You mean the gross net income?

Mr. ROSSBOTTOM. Yes.

Mr. MILLS. Income and excess profit; I guess that is what you mean?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. In 1919 the profit was \$3,125,318. That was the steamship line?

Mr. ROSSBOTTOM. The railroad made a profit also.

Mr. EDMONDS. The net income was \$2,844,000. That was less taxes, I presume?

Mr. ROSSBOTTOM. Yes.

Mr. EDMONDS. So that was about a million and a quarter?

Mr. ROSSBOTTOM. The income on our books is divided between the railroad company and the steamship line. The steamship line is a branch of the railroad. The total tax was a little in excess of a million dollars. The next year it was something like \$200,000. This year I do not think it will be anything, because we are operating at a deficit.

Mr. BRIGGS. How many vessels are you now operating in that service?

Mr. ROSSBOTTOM. We are operating the *Colon*, the *General Goethals*, the *General Gorgas*, the *Allianca*, operating in the east coast service; and the *General Hodges* and *General Ernst*—six altogether—four to the Canal Zone and two to Colombia and Ecuador.

Mr. BRIGGS. From the Canal Zone?

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. How many vessels in the Haitien service; four?

Mr. ROSSBOTTOM. We have a steamer leaving New York which stops at Port au Prince on the way to the Canal Zone, and then we have one freight steamer which calls about once every six weeks to minor Haitien ports.

Mr. BRIGGS. How much money have you been losing for, say, the past six months; or has that steamer been operating at a loss?

Mr. ROSSBOTTOM. The line has been operated at a loss for the past year and is now operating at a loss.

Mr. BRIGGS. To what extent, approximately?

Mr. ROSSBOTTOM. I should judge that the line for the fiscal year ended June 30 will have a total loss of pretty close to \$700,000.

Mr. BRIGGS. For the four vessels?

Mr. ROSSBOTTOM. No; for the entire fleet.

Mr. BRIGGS. A loss of \$700,000 for the entire fleet?

Mr. ROSSBOTTOM. Yes. You see, at the beginning of the year we were tied up by wage conditions that ran over into the following year, of a high stevedore cost, and high fuel cost.

Mr. BRIGGS. I thought you testified before that your fuel bill was comparatively low; that you had a long-term contract—three years—at a rather favorable rate. Did that expire?

Mr. ROSSBOTTOM. No; that was an oil contract. The *Cristobal*, *Ancon*, *Achilles*, and the *Ulysses* are colliers. That contract expired about two months ago and we are trying to get a new contract.

Mr. BRIGGS. You have not renewed it?

Mr. ROSSBOTTOM. No; we can not.

Mr. BRIGGS. This expense you refer to in the increased cost of fuel is due to buying in the open market?

Mr. ROSSBOTTOM. These colliers are not included in the operations of the steamship line. The colliers all burn fuel oil and carry coal between Hampton Roads and Colon.

Mr. BRIGGS. The colliers operate under their own steam and fire by coal?

Mr. ROSSBOTTOM. By oil.

Mr. BRIGGS. They do not come in that contract you made?

Mr. ROSSBOTTOM. Yes; they come in the contract; but those steamers are not included in the operation of the steamship line; they are included in the railroad operation because it is a coaling-plant operation.

Mr. BRIGGS. This estimate you make of the loss, does that include the railroad loss as well?

Mr. ROSSBOTTOM. No; just the steamship line.

Mr. BRIGGS. How does that compare with the operating loss for the year before? You lost \$260,000?

Mr. ROSSBOTTOM. We lost \$270,000.

Mr. BRIGGS. You lost about \$500,000 more this year?

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. To what do you ascribe that loss—to the causes enumerated here—the reduction in rate, or what?

Mr. ROSSBOTTOM. Some of it to the reduction in rates and to the extreme situation on the west coast primarily.

Mr. BRIGGS. Just explain briefly what that is.

Mr. ROSSBOTTOM. The exchange situation in the United States and depreciation in business made it impossible for the merchants of Central and South America to ship their goods here, because they could not sell them—there was no market for them. In view of the fact that they could not buy goods here, did not have any money with which to make purchases, and they have been holding them.

Mr. BRIGGS. In what way is it affected by the exchange situation? How did the exchange situation affect it in that way—through depreciation of the currency and money of the other countries?

Mr. ROSSBOTTOM. Yes; that is the cause of it. For instance, the Ecuadorian dollar under ordinary conditions is worth so much money in the United States. To-day it is worth about one-fifth of what it used to be worth. The merchants in Ecuador that ship produce—coffee, cocoa, hides, and material of that kind—send it to the United States and find a very low price market here; so that they get hit both ways. First, they do not get as much money for their goods as they expect to, and, second, the exchange situation is unfavorable to them. And instead of selling goods at a loss, they just hold the goods and do not send them up here.

Mr. BRIGGS. Does that condition apply alone with reference to your line or does it obtain generally as to steamship lines?

Mr. ROSSBOTTOM. It obtains throughout the world.

Mr. BRIGGS. I mean the condition of loss and demoralization of rates on the ocean highways?

Mr. ROSSBOTTOM. Undoubtedly it applies to every steamship line. I know one very important line that operates to the west coast of South America, whose operating loss last year was a million and a quarter dollars, and they are keeping it up.

Mr. BRIGGS. A foreign line?

Mr. ROSSBOTTOM. Yes; a foreign line.

Mr. BRIGGS. How many vessels does the Clyde Line have in the Haitian service now?

Mr. ROSSBOTTOM. I do not know. I think their representative stated they had eight.

Mr. PEARSALL. No; three vessels in the Haitian service.

Mr. BRIGGS. Do you know how that compares with the previous number employed in that service?

Mr. ROSSBOTTOM. I do not.

Mr. BRIGGS. You have not any idea, of course, whether they have operated at a loss or a profit during that period?

Mr. ROSSBOTTOM. Oh, I know they have operated at a loss. They have operated at a loss even in operating costs, without any return for charter hire, depreciation, interest, or anything. They are bound to.

Mr. BRIGGS. Why are they bound to?

Mr. ROSSBOTTOM. Because of the low rates and the depression in business.

Mr. BRIGGS. That loss because of falling rates—to what is that ascribed?

Mr. ROSSBOTTOM. The falling in rates generally throughout the world.

Mr. BRIGGS. To what is that ascribed?

Mr. ROSSBOTTOM. The increased value of the American dollar and the lower value of the foreign currency.

Mr. BRIGGS. And how has that resulted?

Mr. ROSSBOTTOM. In a decrease of traffic and diversion of traffic to Europe. The higher the value of the American dollar the larger the traffic between South America and Europe, at the expense of the merchants of the United States.

Mr. BRIGGS. In other words, you mean there has been a stagnation of commerce?

Mr. ROSSBOTTOM. Yes.

Mr. BRIGGS. And that has been current for how long?

Mr. ROSSBOTTOM. For a year and a half.

Mr. BRIGGS. Are there any present signs of a revival?

Mr. ROSSBOTTOM. Yes; I see signs of a revival.

Mr. BRIGGS. Much or little?

Mr. ROSSBOTTOM. Much.

Mr. BRIGGS. In what field?

Mr. ROSSBOTTOM. I find more inquiries being made by the merchants of South America for the prices of the articles they wish to buy and I find more demand in the United States for the produce that they can sell. Here a year ago you could not sell coffee in the New York market at any price. You can sell coffee to-day at a price. You could not sell cocoa a year ago and you could not give

away cotton, and now there is a market for all those things. Of course, the market price is lower, lower than the merchants think it ought to be, but there is a greater improvement in that respect.

Mr. BRIGGS. How is it with reference to the Haitian trade?

Mr. ROSSBOTTOM. Haiti is improving. We ordinarily would carry on our steamers to Port au Prince 350 tons—

Mr. BRIGGS. What is the chief commodity you did carry or transport to or from there?

Mr. ROSSBOTTOM. The principal commodities we carry to Haiti are manufactured goods—flour and all the commodities they do not produce there. We bring from Haiti dyewoods, cotton, cocoa, and a little coffee; that is about all.

The CHAIRMAN. I think we will have to close this part of it.

Mr. BRIGGS. That is all I have. I just wanted to ask those questions.

Mr. PEARSALL. I would just like to make one statement. When he referred to the conference we had regarding freight rates in Haiti and the Panama Line went in and reduced rates they reduced them covering all Haitian ports. It had been customary to charge additional rates to the small outports, taking small quantities and delivering to lighters. It was in an endeavor to reestablish those outport rates that I talked to Mr. Rosbottom. In referring to the conference at which the Panama Line stated that if their rates were to be the law they would join I do not believe that Mr. Rosbottom was present at all, but it was Mr. Patterson of his company.

Mr. HARDY. Do you mean by that that they wanted to establish independent rates below those of the foreign as well as below those of your line?

Mr. PEARSALL. At that moment, Mr. Hardy, I was not familiar with the foreign rates—the rates prevailing from New York to Haiti.

Mr. HARDY. Having heard Mr. Rosbottom, are you prepared to dispute his proposition that he was lowering rates to keep in line with the foreign rates or, rather, that he refused to raise rates?

Mr. PEARSALL. He refused to raise rates to the outports.

Mr. HARDY. And if he had not done so would not your rates have been higher than the foreign rates, and would not the tonnage have gone to the foreign ships?

Mr. PEARSALL. I doubt that very much, because Europe was not in a position to deliver very much merchandise to Haiti, most of the traffic being from Haiti to Europe, and there also being a preferential duty in France, which takes probably 80 per cent of the produce of Haiti. There is a preferential duty on imports direct from Haiti to France in foreign vessels, which precluded to a great extent transshipment via New York.

I would refer to Mr. Rosbottom's statement on page 104. The vessels that were operating were not operated by Rafael & Co., but were operated by the Raporel Steamship Line, which was incorporated, as I stated this morning, in 1917. In the middle of the war, it was very difficult to get American ships. We did operate what American ships we could get, and we also operated some small Norwegian ships under time charter, which were later requisitioned by the United States Government, who paid a time charter rate of 45 shillings and turned them over to us to operate in that trade.

Therefore we were not simply operating foreign ships there of our own volition, but on account of existing conditions which made it necessary at the time.

Mr. CHINDBLOM. When you say "United States Government," do you mean the Shipping Board?

Mr. PEARSALL. Yes, sir.

Mr. HARDY. To what part of page 104 are you referring?

Mr. PEARSALL. About line 8, sir.

Mr. EDMONDS. We requisitioned all Norwegian vessels under an agreement to put them into this trade and let the other vessels take the other trades.

Mr. PEARSALL. And under that operation, over and above the time charter rate, large sums of money were made for the Government, which were turned over to them, and of which the private owner was deprived due to the requisition feature.

Mr. CHINDBLOM. Again, when you say "the Government," you mean the Shipping Board?

Mr. PEARSALL. Yes, sir.

Mr. CHINDBLOM. I think we will get into a little confusion unless you use the proper terms, because it would appear that the Government was getting a revenue.

Mr. PEARSALL. They did get quite a bit of revenue.

Mr. CHINDBLOM. They got quite a bit of revenue and spent it on the Shipping Board.

Mr. HARDY. On page 104 of this hearing—is that what you said?

Mr. PEARSALL. Yes, sir.

Mr. HARDY. Line 8 begins:

* * * that there had not been a steamship departure from the United States or Haiti for six weeks, and no mail communication of any kind.

And that somebody requested that the Panama Steamship Line extend its service to Haiti without delay. Is that correct?

Mr. PEARSALL. It was requested, but if I could, I would like to have the number of vessels that the Panama Line sent there in 1917.

Mr. HARDY. What I want to do is to find out if you are contravening any of the statements made there?

Mr. PEARSALL. Yes.

Mr. HARDY. Which statement?

Mr. PEARSALL. It would indicate there it was a foreign company.

Mr. CAMPBELL. He is answering the suggestion on line 6, page 4, that there was a tramp line of steamers.

Mr. HARDY. He says there was a tramp line of steamers of foreign registry operated occasionally by a commission house in New York by the name of Rafael & Co. Was that true?

Mr. PEARSALL. No, sir.

Mr. HARDY. You think that is not true?

Mr. PEARSALL. Yes, sir. It was the Raporel Steamship Line (Inc.) that, during the year 1918, made 16 voyages to Haiti for a revenue of \$444,000, and brought 16 voyages from Haiti of 37,000 tons for a revenue of \$821,000, and carried 15,000 tons of coffee from Haiti to France, in American bottoms, for a revenue of \$1,259,000.

Mr. HARDY. So there was that much traffic between the United States and Haiti during that time that is referred to here?

Mr. PEARSALL. I should say it is the greater portion of the traffic.

Mr. HARDY. So that, in your opinion, there had not been steamship departures from the United States to Haiti for more than six weeks when this line was established?

Mr. PEARSALL. There might have been a time, during 1918, when a vessel did not go during a six weeks' period.

Mr. HARDY. Now, that is the essential statement, that there had not been any shipments there, and that they were requested, the Panama Line was requested, to extend its service. Is that true, or not?

Mr. PEARSALL. I believe it was true, and I believe it was a very good idea to put the Panama Line boats in at that time, because there were no other passenger boats available to take care of Haiti except the Panama Line boats.

Mr. HARDY. Then you get back substantially that his statement is true?

Mr. BRIGGS. Are you referring to 1917 or 1918?

Mr. PEARSALL. To 1918.

Mr. BRIGGS. Does not this testimony here refer to 1917? If I understand the witness, this testimony is with reference to 1917 and has not anything to do with 1918.

Mr. DAVIS. He says they went in there in 1917.

Mr. PEARSALL. Does Mr. Rosbottom state the number of sailings they had to Haiti in 1917?

Mr. HARDY. This clause you are referring to, commencing that nothing was heard from Haiti until the beginning of the European war (that was in 1914), "and then the Secretary of State again called attention to the fact that the situation, as far as American commerce with Haiti was concerned, was even worse than when he had written three years before"—that was in 1914—"that the Atlas service of the Hamburg-American Line"—that seemed to be the Secretary's statement calling attention to that—"had been discontinued as a result of the war; the Royal Mail called there only infrequently; the Royal Dutch calling there when it suited their convenience; that they were devoting their principal efforts to the development of traffic between the United States and the Dutch West Indies, stopping only at Haitian ports when they found they had space on the steamers for cargo"—all that leads up to the fact that this Panama Line was requested to establish that service. Now, is not that substantially true?

Mr. PEARSALL. The Panama Line was requested to establish the service.

Mr. HARDY. Is not that substantially what that statement means?

Mr. PEARSALL. It may be. It is not the portion that I object to.

Mr. HARDY. I want to see what you do object to.

Mr. MILLS. When did they go in there? That is the point.

Mr. ROSSBOTTOM. In July, 1917.

Mr. HARDY [reading]:

* * * that there was a tramp line of steamers of foreign registry operated occasionally by a commission house in New York by the name of Rafael & Co.

Is that statement down to there substantially correct?

Mr. PEARSALL. He refers to us as stopping there only at convenient times.

Mr. HARDY. What company was this?

Mr. PEARSALL. The Raporel Line is referred to.

Mr. HARDY. The Raporel Line is not mentioned. Under what name did it go there?

Mr. PEARSALL. In 1917 we spent about a quarter of a million dollars trying to run ships to Haiti in competition—

Mr. HARDY. This has reference to the Royal Dutch, and does not say anything about Raporel Line.

Mr. CAMPBELL. There is a mistake. He calls it Rafael & Co. there, and it should be the Raporel Line.

Mr. BRIGGS. Does the testimony you are giving now refer to the year 1917 or 1918?

Mr. PEARSALL. Regarding the tonnage carried, it was 1918.

Mr. BRIGGS. The statement here made, apparently by an official of the Panama Railroad Steamship Line, refers to 1917?

Mr. PEARSALL. We were operating there in 1917.

Mr. BRIGGS. Does the same statement you have made now with reference to 1918 apply to 1917?

Mr. PEARSALL. The volume of cargo was not as great in 1918 as in 1917.

Mr. BRIGGS. To what extent?

Mr. PEARSALL. I could not tell you, sir. I am sorry.

Mr. MILLS. And you were furnishing service there in 1917, when the Panama Steamship Co. went in?

Mr. PEARSALL. A freight service, but not passenger service.

Mr. DAVIS. The vessels you were operating there at that time were under foreign registry?

Mr. PEARSALL. No, sir; they were American time-chartered vessels. The foreign registry vessels which we time chartered, or the foreign registry vessels which the Shipping Board time chartered and turned over to us to operate—that was in the middle of the war.

Mr. BRIGGS. Why did you stop operations in 1917 if you stopped at all during that year?

Mr. PEARSALL. They may have stopped for a period of six weeks.

Mr. BRIGGS. When?

Mr. PEARSALL. I can not tell you that.

Mr. DAVIS. You did not have a regular schedule?

Mr. PEARSALL. Oh, no, sir.

Mr. BRIGGS. You are not familiar with the 1917 business?

Mr. PEARSALL. Not with the exact number of sailings; no, sir.

Mr. HARDY. As I understand you, you admit that the Panama Line was requested to extend its service to Haiti by the Secretary of State?

Mr. PEARSALL. I believe that is true, sir.

Mr. HARDY. Then you want us to hop right out just the minute you get ready to go back in? You had left Haiti in that situation, and they were requested to go there and did go, and now you expect them to be ready to jump out the minute you want to go back. What you expect is for the Panama Line to stop up all the gaps and to fill all the gaps and then to be ready to leave as soon as you get ready to go in?

Mr. PEARSALL. Remember that during this period we were under the control of the Government as to the operation of our vessels.

Mr. HARDY. If they went there at the request of the Secretary of State, you did not raise any objection to it?

Mr. PEARSALL. No, sir.

Mr. MILLS. Are you prepared to say the Secretary of State's report was correct?

Mr. PEARSALL. As far as the passenger and mail service was concerned, yes, sir.

Mr. MILLS. And as far as the freight service was concerned?

Mr. PEARSALL. I do not think so; no, sir.

Mr. MILLS. And if the Secretary of State made a mistake in 1917, do you believe we would be justified in leaving now?

Mr. HARDY. Have you not just stated he did not make any mistake, and that maybe he was right then?

Mr. CHINDBLOM. I am in sympathy with the witness; he can not answer so many questions at once.

Mr. HARDY. What I wanted to get at was this: The witness was taking up this paragraph and finding fault with it and then winding up by saying he thought it was a right request to make.

Mr. EDMONDS. Unquestionably there was a loss of passenger-mail service and the Government needed these boats, and there was a very questionable situation as to what was going to happen down there at that time.

Mr. HARDY. But the witness finally wound up by saying that the request was made by the Secretary and was justified.

Mr. EDMONDS. Surely it was.

STATEMENT OF MR. ROBERT H. PATCHIN, OF NEW YORK, REPRESENTING THE PACIFIC MAIL STEAMSHIP CO.

Mr. PATCHIN. Mr. Chairman and gentlemen, the phase of this question to which I desired to speak very briefly, as there are other gentlemen here who will speak also, relates to the Transpacific transportation conditions, and it does not touch the question of the Panama Railroad Steamship Co.

The bill affects the Transpacific situation in that it touches upon the transport service of the United States Army, and I believe the Navy either has had occasionally a transport service to the Philippines and Guam, or now, with a larger force in the Pacific, might be expected to have one. What we desire, in brief, to advocate the extension of this bill to, is the carriage of military freight and passengers; that is, troops, by commercial steamship companies instead of by transports maintained exclusively for that service. We feel—

Mr. BRIGGS. By "commercial steamship companies," you mean ships operated by the United States Shipping Board or privately owned?

Mr. PATCHIN. Regular steamship lines.

Mr. BRIGGS. Whether operated by the United States Shipping Board or private lines?

Mr. PATCHIN. Whether operated by the United States Shipping Board or not. As a matter of fact, the situation as it has developed to-day is that the privately owned steamship companies are operating Transpacific passenger vessels for the account of the Shipping Board. They are simply acting as agents of the board at the present time. What we advocate is in the spirit of the first section of the Jones Act, which states "that it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the

best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States, and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine, and, in so far as may not be inconsistent with the express provisions of this act, the United States Shipping Board shall, in the disposition of vessels and shipping property, as hereinafter provided, in the making of rules and regulations, and in the administration of the shipping laws, keep always in view this purpose and object as the primary end to be attained."

Now, shipping men have regarded that as the first comprehensive statement of policy that has ever been made by the United States Congress in regard to shipping. We submit very respectfully that the proposal which we desire to advance is not only in harmony with that, but that the end that should be attained, in the language of the Jones Act, can not be attained while a very large quantity of Government freight is transported exclusively in Government-owned transports.

Mr. Marvin has made allusion here to the practice of other military powers in the transport of their military freight and troops. I do not think that requires any further emphasis.

The situation in the Pacific is this: The number of vessels that are operating in Transpacific service is greater than ever before. There are more vessels and they have a greater capacity for both freight and passengers. There have already been assigned to the Pacific Steamship Co., or Admiral Line, operating from Seattle to Japan, China, and the Philippines, three large passenger vessels belonging to the Shipping Board, 535 feet in length, with passenger accommodations up to about 250 passengers.

Mr. BRIGGS. What are the names of those vessels?

Mr. PATCHIN. The *Wenatchee*, the *Silver State*, and the *Keystone State*. The Pacific Mail has in operation three of those 535's, the *Golden State*, *Empire State*, and *Hoosier State*, from San Francisco to China, Japan, and the Philippines, and it hopes to have two more assigned to them for operation.

Mr. HARDY. When were the three assigned to them?

Mr. PATCHIN. They have been coming on, Mr. Congressman, during the last six months one after the other as they were completed. And with five ships in that service there will be a fortnightly service. They also operate three ships of a somewhat similar type, known as 522's, the *Creole State*, *Wolverine State*, and *Granite State*, direct from San Francisco to Honolulu, Manila, Singapore, and Calcutta.

Mr. HARDY. Are they all being operated under the M. O. 4 agreement?

Mr. PATCHIN. They are all being operated under the M. O. 4 agreement; yes, sir.

Mr. HARDY. Are they making any more contracts under the M. O. 4 agreement?

Mr. PATCHIN. I do not think so; I have never heard of any.

Mr. HARDY. When was the last one of those made?

Mr. PATCHIN. Well, it sailed from Camden, where she was built, about a month ago.

Mr. HARDY. The contract was made about the time it sailed?

Mr. PATCHIN. I think it had been assigned a considerable time before that, sir.

Mr. CHINDBLOM. Was the ship completed at that time; was that the first voyage?

Mr. PATCHIN. She was just completed at Camden and went around through the Canal.

Mr. CHINDBLOM. The other two ships have been completed within the last six months?

Mr. PATCHIN. Yes, sir.

Mr. HARDY. Frankly, what I am trying to find out is whether the Shipping Board is continuing to make M. O. 4 contracts?

Mr. PATCHIN. I think they are giving very earnest consideration to finding a more suitable form of contract.

Mr. HARDY. But the consideration has not yet borne any fruit?

Mr. PATCHIN. I do not know of any.

Mr. HARDY. No other contract has been made since?

Mr. PATCHIN. I can not speak as to the others.

Mr. HARDY. So far as your company is concerned they have made no more.

Mr. PATCHIN. No.

Mr. EDMONDS. Those boats were not assigned under the M. O. 4 contract; they were assigned under a special contract.

Mr. PATCHIN. Not to the Pacific Mail. I do not think any of them were on the Pacific.

Mr. EDMONDS. They were all under the M. O. 4 contract?

Mr. PATCHIN. Yes, sir; that was the only form.

Mr. HARDY. I want to know why your company insists on having the M. O. 4 form of contract?

Mr. PATCHIN. The M. O. 4 contract is the only thing up to date I know anything about under which vessels are assigned.

Mr. HARDY. Is it not about the only form of contract under which the Shipping Board could get the vessel operators to take their boats?

Mr. PATCHIN. I do not know. The conditions before us are uncertain, and the question of losses is so serious. That is a question that is harrassing the Shipping Board and everybody else.

Mr. HARDY. Are not those two facts—the uncertain conditions of operation and the fact that the losses are so great—the reasons why the ship operators refuse to take any other kind of contract? Is it not a fact that they will let the ships lie idle or take them over on that kind of contract? I want the thing to be clearly before the country. Are the Shipping Board voluntarily sacrificing the interests of the country or are they just doing the best they can?

Mr. PATCHIN. I do not think the Shipping Board is voluntarily sacrificing the interests of the country.

Mr. MILLS. Mr. Chairman, I submit the witness is not competent to answer that question. He is not here in behalf of the Shipping Board.

Mr. PATCHIN. I wish, very emphatically, to say I do not think the Shipping Board is voluntarily sacrificing the interests of the country. On the contrary, I think they are doing the best they can in an almost impossible situation.

Mr. HARDY. I think you have about stated it. I wanted to get the simple facts about that M. O. 4 contract.

Mr. PATCHIN. The facts are not simple, unfortunately. [Laughter.]

Mr. HARDY. It appears to me they are simple when the ship operators won't take any other contract.

Mr. PATCHIN. The situation, therefore, is that there is a regular rapid communication by these lines between the United States and its possessions in the East; the vessels are adequate to carry not only all the freight of any description that might be offered, but troops as well.

Mr. EDMONDS. You are running two lines that touch Manila?

Mr. PATCHIN. Yes, sir.

Mr. EDMONDS. Does the Singapore Line touch at Manila?

Mr. PATCHIN. Yes, sir.

Mr. EDMONDS. And then they have a line which runs to Japan and comes around?

Mr. PATCHIN. Yes, sir.

Mr. EDMONDS. That makes a fortnightly service?

Mr. PATCHIN. Yes, sir; but not of the same type of vessel.

Mr. EDMONDS. Taking the two lines into consideration?

Mr. PATCHIN. Yes, sir.

Mr. EDMONDS. Is there any other line running in the same service?

Mr. PATCHIN. Which service?

Mr. EDMONDS. To Manila.

Mr. PATCHIN. The Admiral Line terminates at Manila, via Japan and China, the same as the Transpacific service does.

Mr. EDMONDS. There is no other service?

Mr. PATCHIN. There are no other American lines except the Pacific Mail and Admiral Lines.

Mr. EDMONDS. The Spreckles Line does not run up there at all?

Mr. PATCHIN. They run down to Australia.

Mr. BRIGGS. Are your lines being operated at a profit or a loss?

Mr. PATCHIN. They are being operated for account of the Shipping Board.

Mr. BRIGGS. I understand, but are they being operated at a profit or at a loss on account of the Shipping Board?

Mr. PATCHIN. I think the Pacific Mail service to China and Japan is just about clearing the expense of bare operations without insurance.

Mr. BRIGGS. They are about breaking even?

Mr. PATCHIN. Yes, sir. I do not think so much can be said of the other service.

Mr. BRIGGS. What other service?

Mr. PATCHIN. To the East Indies. I have not those figures in detail. I might add here that I am representing the Pacific Mail, because their operating office is at San Francisco, and they had nobody who was able to be here just at this time. So that I have not all the facts in my possession.

Mr. HARDY. If your company had to run their own ships at their own expense, they would quit?

Mr. PATCHIN. The vessels of our own fleet are not as expensive to operate as these vessels. It is a question of a very bad situation that exists now. The views of the steamship owners on the Pacific coast

have been rather succinctly set forth in a letter written by the Pacific American Steamship Association, of San Francisco, to the honorable chairman of this committee, and I would like to enter this in the record as briefly summarizing our position.

Mr. BRIGGS. Who are the officers of that association; are they given?

Mr. PATCHIN. No; they are not given here. Robert Dollar is president; Mr. Haynes is vice president; and Mr. Mann, vice president—one representative of the three large steamship companies on the Pacific coast. It bears the same relation to passenger rates on the Pacific coast that the American Steamship Owners' Association bears to the business on this coast and the Gulf and elsewhere.

In addition to the Admiral Line and the Pacific Mail, a service also of these large passenger ships is maintained between San Francisco and Honolulu by the Matson Navigation Co., so that there are now operating in Transpacific service nine large vessels, five of which call at Honolulu, and three vessels, operated by the Matson Navigation Co., from San Francisco to Honolulu, in addition to occasionally other vessels that operate to Honolulu. Honolulu is just as important as Manila, because of the very large military garrison that is now being maintained in Hawaii. At the present time all of these vessels I have enumerated are sailing from the Pacific coast only partially loaded, on account of the lack of tonnage, and the operation of the United States Army transports is in direct competition with them, so far as the large tonnage comprised in the Army freight is concerned. The figures of this tonnage will be given by one of the other gentlemen later, and it will be seen that if this tonnage were moved by the vessels documented under the laws of the United States their business would be very considerably increased; whereas under the existing system a large block of freight, moving with regularity, is entirely beyond the reach of the steamship lines.

Mr. BRIGGS. Let me ask you a question there in connection with that. Are these private lines able to give the same service as the Army transports?

Mr. PATCHIN. Yes, sir; I think they can give better service.

Mr. BRIGGS. With the same degree of regularity, and when it is needed to those points?

Mr. PATCHIN. I submit that a fortnightly service would meet every possible situation that is likely to arise in time of peace, and the shipping laws of the United States make ample provision for the requisitioning of vessels in time of war or in time of emergency, not to mention the fact that these vessels are the property of the United States Shipping Board itself.

Mr. HARDY. Does that transport service involve a great deal the carrying of soldiers?

Mr. PATCHIN. Yes, sir.

Mr. HARDY. They carry them down on the deck, en masse. Are your ships prepared to carry that amount of passengers?

Mr. PATCHIN. They are not fitted to carry them at the present time, but such quarters could readily be provided.

Mr. HARDY. So that your ships now could not carry the troops being carried by the Army Transport Service?

Mr. PATCHIN. I think, even under existing conditions, with very slight alterations, they could.

Mr. DAVIS. These vessels are constructed, and of course in condition for ordinary commercial passenger service as well as freight?

Mr. PATCHIN. Yes, sir.

Mr. DAVIS. They are 535 feet long, and their tonnage, I presume, is about 14,500, and they only have a capacity of carrying 250 passengers?

Mr. PATCHIN. First-class passengers.

Mr. DAVIS. How many second-class?

Mr. PATCHIN. About 500 third-class passengers; no second.

Mr. DAVIS. A total of 750?

Mr. PATCHIN. Yes, sir.

Mr. DAVIS. Consequently, by carrying two-thirds of the men under third-class conditions, you could only carry 750 troops to the Philippines?

Mr. PATCHIN. Yes, sir.

Mr. DAVIS. Even if no commercial passengers were carried?

Mr. PATCHIN. I am not sufficiently familiar with the structure of those vessels personally to know whether, if we were assured of the Army troop business, the capacity could not be increased.

Mr. DAVIS. We have found from experience that it was very expensive to turn passenger vessels into transports, have we not?

Mr. PATCHIN. It proved very expensive in the time of the war in the way it was done.

Mr. DAVIS. Don't you think it would at any time?

Mr. PATCHIN. I do not think so; no, sir; I think the increase of accommodations could be provided for a cost that would be entirely proportionate and reasonable to the traffic which would result.

Mr. DAVIS. And still provide the men with the same comforts and facilities they would have on Army transports?

Mr. PATCHIN. With the same comforts and facilities that they would have on Army transports. That would necessarily be one of the conditions of the business, if they got the transport of troops, it would be under terms as to light space, and sanitary accommodations, and everything else that would be approved of by the Army.

Mr. HARDY. Have you any idea how much it does cost to transport men, per man, to Manila?

Mr. PATCHIN. No, sir; I have not.

Mr. HARDY. Do you know whether your company will make an agreement to transport them at the same cost as it now costs the Government on the transports?

Mr. PATCHIN. If all of the elements of cost were figured in by the Army.

Mr. HARDY. I mean the actual cost.

Mr. PATCHIN. The actual cost—yes, sir; I think they would.

Mr. DAVIS. You sail every few weeks?

Mr. PATCHIN. I might add that this transportation would be for the United States Government.

Mr. EDMONDS. The service, as it stands here now, is this: That the Shipping Board, through their agents, are operating ships to Manila. That is all it is. It is simply the Shipping Board, through their agents, and the Army Transport Service, through their agencies, transporting troops to Manila.

Mr. HARDY. You might explain the difference is that under the M. O. 4 contract a percentage is given to the operator of the gross

receipts; while on the Army Transport Service there is no percentage paid to any outside private party?

Mr. EDMONDS. Well, there won't be any M. O. 4 agreements before very long.

Mr. PATCHIN. I might say that the so-called percentage that is given is a small operating commission.

Mr. HARDY. Based on gross receipts?

Mr. PATCHIN. It is a small operating commission, rather below than above the commercial rate.

Mr. BRIGGS. What is that commission?

Mr. PATCHIN. Ten per cent of the gross passenger and freight revenue.

Mr. DAVIS. The Government stands all the losses and only gets a part of the profit?

Mr. HARDY. I understand you get 10 per cent of the gross receipts?

Mr. PATCHIN. We get a commission. The net result is for account of the United States Shipping Board.

Mr. EDMONDS. They have to perform a service for that 10 per cent?

Mr. PATCHIN. Yes. We are not principals; just agents.

Mr. CHINDBLOM. What is the passenger rate, third class, from San Francisco to Manila by your line?

Mr. PATCHIN. Sixty-five dollars. I might say that business now, as it is now conducted, is nearly all oriental.

Mr. BRIGGS. What do you mean by "oriental"?

Mr. PATCHIN. It is Chinese coming this way and returning the other way.

Mr. BRIGGS. What are those accommodations; what are the accommodations in the third class?

Mr. PATCHIN. Mr. Gallagher and the representative of the Admiral Line are more familiar with the immediate operating conditions and the alterations lately made in those ships.

Mr. CHINDBLOM. What is the cost of a first-class passage—San Francisco to Manila?

Mr. PATCHIN. Three hundred and seventy-five dollars.

Mr. DAVIS. Does the third-class passage include meals?

Mr. PATCHIN. Yes, sir.

Mr. CHINDBLOM. All passages include meals, do they not?

Mr. PATCHIN. Yes, sir.

Mr. CHINDBLOM. How much of a run is it; how long does it take?

Mr. PATCHIN. To Manila?

Mr. CHINDBLOM. Yes; from San Francisco to Manila.

Mr. PATCHIN. These ships, as they have been broken in, have been running a little bit different. From San Francisco to Yokohama is 15 days; from Yokohama to Kobe is 2 days; and then they go to Shanghai and run from China down to Manila, which makes about 24 days.

Mr. EDMONDS. On your Singapore run, you go right direct to Manila?

Mr. PATCHIN. The Singapore run makes Manila just a little under that.

Mr. BRIGGS. Have not the records been broken recently; has not the time been reduced to 10 or 11 days by Shipping Board vessels? I saw a dispatch in the papers two or three days ago about that.

Mr. HARDY. That is South America.

Mr. BRIGGS. No; oriental.

Mr. GALLAGHER. The *Silver State* operated by the Admiral Line ran from Seattle to Yokohama in 9 days and 19 hours.

(The letter submitted by Mr. Patchin is as follows:)

UNITED STATES GOVERNMENT AS COMPETITOR OF AMERICAN MERCHANT MARINE.

PACIFIC AMERICAN STEAMSHIP ASSOCIATION,

June 22, 1921.

Hon. WILLIAM S. GREENE,

Chairman Merchant Marine and Fisheries Committee,

House of Representatives, Washington, D. C.

SIR: Confirming our night letter of June 7 urging favorable action on H. R. 5348, amending sections 17 and 19 of the merchant marine act of 1920, beg to submit the following arguments for recommending a withdrawal of the United States Army transports from the trans-Pacific and Hawaiian trade:

First. The United States Shipping Board has allocated to the Pacific Mail Steamship Co. three 522-type freight and passenger vessels, which are being operated direct between San Francisco and Manila and the East Indies, and five of the 535-type freight and passenger steamers, which will be operated between San Francisco and Manila via Japanese and Chinese ports. These vessels will furnish practically three sailings per month. We append statement covering the particulars of these vessels, which may be of interest.

Second. The above vessels are exceptionally well adapted for the handling of Government freight and passengers, and are much speedier than the present United States transports; and in this connection we append pro forma schedules from which you will note direct monthly service and fortnightly service via Japan and China is provided to Manila, or express sailings three times a month.

Matson Navigation Co. also maintains a service between Pacific coast ports and Hawaii. They are at present operating two of the large West type vessels of the Shipping Board, carrying freight only, and two of the 535-type steamers out of Baltimore that touch in at San Francisco, carrying freight and passengers to Hawaii. In addition to these, nine of their own steamers, six of which are passenger vessels, are regularly operated in passenger and freight service from San Francisco to Honolulu, sailing once a week.

Third. At present these vessels are sailing from San Francisco only partially loaded on account of lack of tonnage; and the operation of the United States Army transports in direct competition with them merely makes both Shipping Board and Army vessels unremunerative at public expense.

Fourth. The Army transports, by reason of taking cargo in but one direction and maintaining separate forces and terminals, can not transport freight as economically as merchant vessels engaged in regular trade, and the continuance of the transports is merely entailing a large additional burden on the taxpayers of the country, without any corresponding benefit.

Fifth. Owing to a large number of United States Shipping Board vessels being tied up for lack of cargo, every effort should be made to try to reduce the enormous losses to the Government by providing passengers and freight, and the withdrawal of these transports would to that extent assist in this direction.

Sixth. The late war proved conclusively that transports can not be utilized until after the Navy has cleared the seas, and then the first call is for commercial vessels to transport troops and supplies; and if the American merchant marine is maintained and assisted it would furnish immediately available and invaluable assistance in case of war.

Seventh. The operation of commercial vessels in competition with vessels of other countries necessitates the highest efficiency and economy, and the present system of carrying cadets and educating young men as officers would form a most valuable asset in providing a proper personnel (both officers and crew) for use in time of trouble.

Eighth. The United States Army transports returning from Manila purchase large quantities of Chinese or Japanese coal at very high prices for use in their operation, thereby depriving American firms of the sale of such fuel, whereas American commercial vessels utilize American oil and coal almost exclusively in their operation.

Ninth. All the leading maritime nations of the world transport their troops and supplies by private steamship companies under normal conditions, but maintain certain transports for the handling of large bodies of troops or live stock. If the experience of Great Britain and other nations has proven this the most economical and satisfactory method of handling their army supplies, it should be equally applicable to the United States.

Tenth. The Pacific Mail Steamship Co. is prepared to handle immediately the entire Army and Navy freight requirements for Manila at rates as per tariff inclosed. It is also prepared to immediately take care of the normal movement of officers and enlisted men and will set aside accommodations to be held subject to Government order at fares as per tariff attached.

Matson Navigation Co. is also prepared to handle a movement of Army and Navy freight requirements to Hawaii.

Eleventh. In the event of any unusual movement of supplies or troops both Pacific Mail Steamship Co. and Matson Navigation Co. could, with proper notice, readily provide additional tonnage.

It apparently resolves itself into the question of whether an antiquated and expensive system based upon precedent shall be continued without any resultant benefits or whether this expense can be saved to a large extent by utilizing American commercial vessels and the American merchant marine be benefited to that extent.

The vessels of the United States Shipping Board belong to the people and are operated for their account and it would appear that another department of the Government can have no excuse for maintaining a separate and expensive service for apparent cause. We therefore respectfully urge that your committee favorably recommend passage of H. R. 5348.

The present American merchant marine, which, ultimately, will be owned by private American companies, will be able to perform every national function in times of both peace and war.

Yours, very truly,

PACIFIC AMERICAN STEAMSHIP ASSOCIATION,
J. P. WILLIAMS, *Secretary Treasurer.*

Mr. HARDY. Your statement in brief is that private companies operating ships could operate the service for the country cheaper than the Army transports and, at the same time, have that service, which would help them in maintaining their line?

Mr. PATCHIN. I submit the maintenance of the transports exclusively for the carriage of military freights and troops must necessarily be and is more expensive than their carriage as an incident of commercial business. But beyond that I submit that the lines deserve and are entitled to the Government freight just as much as they are the freight of American citizens whom they approach on a competitive basis.

Mr. HARDY. I am frank to say I agree with you if the Government were assured of getting fair and reasonable rates.

Mr. PATCHIN. Since the vessels are owned by the Shipping Board, it is entirely within the control of the Government itself.

Mr. BRIGGS. To what extent have these lines carried passengers recently? Have their passenger lists been full or only half full, or to what extent?

Mr. PATCHIN. The companies have done pretty well. It varies somewhat, but there has been a pretty heavy traffic across the Pacific and it is going up in a remarkably satisfactory way.

Mr. BRIGGS. The trouble has been the service freight?

Mr. PATCHIN. The freight and the very high cost of operating the vessels.

Mr. DAVIS. There would not be very much room left, then, to carry troops to the Philippines, would there?

Mr. PATCHIN. I think they can make provision for all the troops that would be likely to move.

Mr. DAVIS. You have five ships, when they all get into commission, that go every two weeks. In 10 weeks they could carry, first and third class, 3,750 passengers, both commercial and military. Now, if they were already filled up with commercial travelers and an emergency should arise by which we should want to place several thousand troops in the Philippines, the facilities would not be very satisfactory, would they?

Mr. PATCHIN. Yes, sir; because in case of an emergency the travelers would have to give way to the troops.

Mr. DAVIS. Suppose they did. That would be getting 3,750 troops to the Philippines in 10 weeks.

Mr. PATCHIN. No, sir; there are five ships of the Admiral Line. The program calls for five ships for the Admiral Line, five of the trans-Pacific service of the Pacific Mail, and three of the East Indies service of the Pacific Mail, which makes 13.

Mr. DAVIS. Are they as large as yours?

Mr. PATCHIN. These 10 are all of the same size and 3 are slightly smaller.

Mr. DAVIS. Then, that would be a capacity of 8,000 or 10,000 in that period of time?

Mr. PATCHIN. I should say in an emergency, sir, that the Government would exercise its right and requisition such tonnage as was necessary for an unusually large movement, just as they did during the war. They would not rely on transports that the Government retains for its own exclusive service. I think the capacity would be ample for all ordinary movements of troops, sir.

Mr. DAVIS. You disregard entirely, then, the transports as auxiliaries for the Army?

Mr. PATCHIN. No, sir; I think these vessels we are operating are auxiliaries. As a matter of fact, they were originally laid down, I believe, were they not, General, as transports?

Gen. DOWNEY. No; the 502's were, but not the 535's.

Mr. EDMONDS. They were laid down for transports. were they?

Gen. DOWNEY. Yes, sir; the 502's.

Mr. EDMONDS. We were told by the New York Ship that the 535's were originally laid down for transports, and the reason the port holes were in the position they were, and also the cabins, was because they were fixed up for transports and then they changed the inside.

Gen. DOWNEY. Oh, we have not even asked for them in any way, nor has the Army made any request for 535's. Mr. Lasker made that same statement the other day and I showed him our own statements, which showed we never had asked for anything but the 502's, and he withdrew the statement.

Mr. EDMONDS. You did not ask for the 535's until recently?

Gen. DOWNEY. No.

Mr. PATCHIN. My statement was made upon recollection from the time of the war and I may have been in error about it; but I know if the Shipping Board had started out to build these vessels as passenger ships they would not be the kind of ships they are to-day.

Mr. EDMONDS. I can not understand the internal arrangement if they were built as passenger ships. I have been in a great many

passenger ships and I never saw mistakes so apparent that no man starting to build passenger ships would have made. I do not know what the reason is, but I do know they are there.

Mr. BRIGGS. Is any transport service operated by the Navy on the Pacific coast?

Mr. PATCHIN. I can not answer definitely. Was there not some testimony on that previously from the Navy?

Mr. EDMONDS. The Navy put some testimony in here, yes.

Mr. BRIGGS. You could not answer that question yourself?

Mr. PATCHIN. No, sir.

Mr. EDMONDS. There is full testimony from the Navy in here, and the Navy acknowledged we could save a couple hundred thousand dollars.

Mr. BRIGGS. I was trying to find out whether the Navy operated any transport service on the Pacific coast at the present time.

Mr. EDMONDS. They are running lines to Guam and Honolulu, and the Army transport is running some boats with munitions to and from the Philippine Islands.

Mr. PATCHIN. I would like to say, in closing, that the steamship companies will be found ready to cooperate with the Army and War Department and would be responsive to all the requirements necessary to make this transport service by commercial vessels successful and conform to all reasonable military requirements.

Mr. CHINDBLOM. Do you think you would want to carry munitions?

Mr. PATCHIN. That is subject to suitable regulations.

Mr. DAVIS. Could you carry high explosives on passenger vessels?

Mr. BRIGGS. Would the law allow you to do that; would not the law prevent you doing that sort of thing—carrying munitions on passenger ships?

(No answer.)

Mr. EDMONDS. The law would prevent it on transports just exactly the same as it would on passenger ships. The law says a ship carrying passengers; it does not recognize any difference between a lot of soldiers and a lot of people.

Mr. BRIGGS. Of course, I understand that, but they are operating these as passenger-carrying steamships.

Mr. PATCHIN. There are freight steamers as well, you know, operating in that trans-Pacific service.

Gen. DOWNEY. A transport does carry munitions.

Mr. EDMONDS. But the law does not allow you to do that.

Mr. BRIGGS. I want to ask you one other question. For instance, if the M. O. 4 agreement should be terminated by the Shipping Board, do you think your line or other lines would continue to operate vessels on the bare-boat charter basis and to maintain their service?

Mr. PATCHIN. You mean to operate Shipping Board vessels on a bare-boat charter?

Mr. BRIGGS. Any kind of vessels; I do not care whether Shipping Board or any other.

Mr. PATCHIN. If the Shipping Board vessels were not being operated in the trans-Pacific, I presume we would resume the operation of our own vessels.

Mr. BRIGGS. Would you operate vessels in this service and keep up the service in an adequate way under present conditions or any other conditions, if the M. O. 4 agreement were terminated and the Shipping Board should substitute a bare-boat charter plan or something of that sort?

Mr. PATCHIN. We would do our best to maintain our business.

Mr. BRIGGS. I mean, would the Government have any assurance that these lines in this service would be kept up, so that they would be available and capable of being utilized if they discontinued the transport service?

Mr. PATCHIN. Yes, sir; I think it would.

Mr. BRIGGS. Would your line be willing to give the Government assurance to that effect—that the service would be provided, adequate service?

Mr. PATCHIN. Yes; I think it would.

Mr. BRIGGS. Satisfactory assurance?

Mr. PATCHIN. What is meant by "satisfactory"?

Mr. BRIGGS. I mean some sort of assurance satisfactory to the Government that they could have that service when needed.

Mr. PATCHIN. They would endeavor to render the service and operate the vessels under the American flag as long as it was a business proposition, and doubtless they would carry it on further than that in the hope of getting some relief. Nobody operating a ship under the American flag to-day can give anyone satisfactory assurance he is going to be able to continue indefinitely.

Mr. BRIGGS. Of course, that is due at the present time to the stagnation of commerce.

Mr. PATCHIN. The disadvantage that is imposed on the American vessels does not relate to the present time only.

Mr. EDMONDS. If you will read the act, you will see that they can only carry on American vessels. Contracts can be made to cover 10 years, and the ownership must be 75 per cent American, and they must carry the American flag and be enrolled and licensed American vessels. The result would be if they were wanted by the Government at any time—it does not make any difference if there were a war tomorrow, or an emergency—the Government could seize them. These 13 ships carry thirteen or fourteen thousand more men than the Government has accommodations for in the Pacific to-day; and if you get ships running profitably you will have accommodations for more than that, and they will always have to retain their American citizenship and can be called upon in time of war.

Mr. BRIGGS. That is what I am discussing. Suppose it be made unprofitable; would this service be continued? And without the Army transports is there any assurance the Government would not be without the service to the Philippines that it absolutely needs?

Mr. EDMONDS. The Government could at any time take any ships it needs.

Mr. DAVIS. It is the declared purpose to sell all of the Shipping Board ships sooner or later, and Chairman Lasker stated before the Appropriations Committee of the House that he was going to do away with this M. O. 4 contract as soon as he could, and one of his experts made the statement before the committee that he thought the contract was so objectionable that they ought to do away with it at

once, and, if necessary, to tie the boats up. That being true, what security has your company in a continued operation of these Shipping Board vessels that you have temporarily leased under an M. O. 4 contract?

Mr. PATCHIN. Well, the line is the oldest American steamship line. It has been operating for 70 years and it has been through some pretty hard situations.

Mr. DAVIS. How many vessels of your own have you operating between the Philippines and the United States?

Mr. PATCHIN. They have been withdrawn and substituted for with these Government passenger vessels.

Mr. DAVIS. And they are engaged in other lines of traffic?

Mr. PATCHIN. They are engaged in other lines of traffic on our other service. We have a service which goes from San Francisco to Panama and from San Francisco, via the canal, to Baltimore. The vessels formerly in the transpacific service are operating from San Francisco to Baltimore.

Mr. HARDY. Have you picked out the best line on which to put your vessels, and then on the lines the most shaky and doubtful you use the Government vessels under a Government contract?

Mr. PATCHIN. I do not know of any lines that could be called "the best lines" to-day.

Mr. HARDY. There is evidently a best line for you to put your vessels on.

Mr. PATCHIN. It has long been the intention of the Shipping Board to put these passenger vessels, which are larger than the ones formerly operated, in the Transpacific trade. They have larger accommodations, are faster, and they have contemplated for a long time the operation of these vessels under what is now the Jones Act.

Mr. HARDY. Where are you operating your vessels, did you say?

Mr. PATCHIN. From San Francisco to Baltimore and from San Francisco to Panama.

Mr. HARDY. In the coastwise trade?

Mr. PATCHIN. Yes, sir; in the coastwise trade.

Mr. HARDY. So that your own ships are taken off of the oceanic and you have taken M. O. 4 ships and put them in that trade?

Mr. PATCHIN. We are taking these 535s.

Mr. EDMONDS. They are superior boats to your boats?

Mr. PATCHIN. They are larger and faster.

Mr. HARDY. Would your company to-day, even if it were assured the Army transports would get out of the business—would you keep those boats you have under a bare boat charter and undertake to run them on this line?

Mr. PATCHIN. That would depend entirely on the prospect of the business.

Mr. HARDY. Take the prospect as it is.

Mr. PATCHIN. The prospect as it is is not sufficiently settled that I could answer a hypothetical question.

Mr. HARDY. Then, as I understand it, if we were to meet your wishes and do away with the Army Transport Service you still would not be willing to charter those boats on a bare boat charter basis and operate these lines?

Mr. PATCHIN. I think we would; yes, sir.

Mr. HARDY. That is the question I asked you.

Mr. PATCHIN. Repeat the question, please; I want to be perfectly clear.

Mr. HARDY. I want to be perfectly clear and perfectly frank. If the Government were to do away with the Army Transport Service and to turn that over to private enterprise, would you be willing to charter these vessels that are now held under M. O. 4 contracts and to hold them under a bare boat charter?

Mr. PATCHIN. It would depend on what proportion of the business we got and on whether we were given assurance that that business would be permanent.

Mr. HARDY. I am speaking if the Government took away the Army Transport Service and would leave you free of any Government competition, would you then be willing to charter these vessels and pay the Government something for their use?

Mr. PATCHIN. If the revenue from the carriage of troops and troop supplies was sufficient to insure a profitable operation of the line.

Mr. HARDY. I understand. You would want to make a combination trade—that the Government pay you enough for troop carrying for you to pay them for the chartering of the ship?

Mr. PATCHIN. No, sir. We would not ask them to do that, but would determine on the showing of the facts whether it was a business proposition, and then we would enter into it. I can not say here whether an abstract proposition would be accepted.

Mr. HARDY. I thought you understood the volume of business, both that transacted by the Army Transport Service and that transacted over and above that, so that you could say whether that would possibly justify you in chartering any of these vessels.

Mr. PATCHIN. It would be a question as to what proportion of the whole the Pacific Mail would get.

Mr. HARDY. The company has not passed on that question?

Mr. PATCHIN. No, sir; it is not before us.

Mr. KIRKPATRICK. Of course, the act does not abolish the transport line at all; the act simply gives the line the right to contract with you.

Mr. PATCHIN. Yes, sir.

Mr. KIRKPATRICK. What Mr. Hardy said would be pertinent if they abolished the Transport Service, but not otherwise.

Mr. PATCHIN. What we desire to advocate here is that that business should be assured to the lines.

Mr. BRIGGS. Your attitude is that the Transport Service should be abolished?

Mr. PATCHIN. Yes, sir. And of course in doing that the Army has got to obtain for itself satisfactory assurance of permanent and regular service.

Mr. BRIGGS. What I am asking now is whether your company is prepared to give that assurance to the Government to have them take off the Army Transport Service—whether you would guarantee to give an equal service if they made contracts for any definite length of time for which the Government would choose to negotiate a contract?

Mr. PATCHIN. We would be disposed to enter into a contract.

Mr. BRIGGS. And even if the Shipping Board took away from you these vessels under M. O. 4 contract and terminated that form of

contract, if you had to you would take them on a bare-boat plan and operate them?

Mr. PATCHIN. If the Shipping Board takes away the vessels on the plan on which they are now operated, of course we can not guarantee service beyond that; if one branch of the United States Government makes it impossible to carry on a contract with another branch of course—

Mr. EDMONDS. No branch of the transport service is to be abolished, but for the purpose of building up steamship companies the President can enter into contracts for that work for a 10-year period.

Mr. BRIGGS. I do not understand the Government would maintain a transport service under these conditions, and if they are to maintain a transport service under these conditions it seems to me it would be a tremendous expense to the Government, without any justification whatever.

Mr. EDMONDS. The Government is not maintaining it; it is simply contracting for it.

Mr. BRIGGS. In so many words, the main purpose of that act is to destroy that service?

Mr. EDMONDS. Yes.

Mr. DAVIS. It says "may discontinue it."

Mr. CHINDBLOM. You now have five Shipping Board vessels?

Mr. PATCHIN. We have three 535's in operation now in Trans-pacific service to Japan, China, and the Philippines.

Mr. CHINDBLOM. And you expect to get two more?

Mr. PATCHIN. And we expect to get two more.

Mr. CHINDBLOM. If you got your share of the business done by the Army transports in the Pacific Ocean, can you state—are you able to state or would you be willing to state—whether in that event your company would purchase five Shipping Board vessels?

Mr. PATCHIN. No, sir; I can not state that at this time.

Mr. CHINDBLOM. You know that to me is important, because I want these Shipping Board vessels put into private hands, and I consider any kind of chartering or any kind of leasing or any contract for operation is only a temporary convenience and expediency.

Mr. PATCHIN. Yes, sir.

Mr. CAMPBELL. Other than giving them more traffic.

Mr. CHINDBLOM. If they are not going to buy ships at any time and have not any hope of buying Shipping Board ships, and are simply going to continue leasing and chartering ships, of course the Government, or the Shipping Board, representing the Government, will continue for a long time to come to be in the business of running ships, or at least chartering ships?

Mr. PATCHIN. The difficulty about answering your question is that we have no assurance whatsoever at the present time of the terms on which these vessels may continue to be operated or on which they could be bought.

Mr. EDMONDS. The business between San Francisco and Manila Bay, as far as you are concerned, could be done by one of these 535 ships, and yet the Transport Service is using four ships. It could be done by one of the 535-foot ships. There are 33,000 tons going from San Francisco to Manila and 12,000 tons coming back.

Mr. CHINDBLOM. That might be true. The War Department might be operating its ship unprofitably; it may be operating too many ships, and it may be there are many ways in which it could economize. But it does not follow from that that we would further the one thing we all desire to reach—namely, getting Shipping Board ships into private hands by making leases or contracts for 10-year periods as proposed by this bill.

Mr. EDMONDS. If you will give me this contract, and I can not find somebody out on the Pacific coast is good enough to take those ships under long-term contracts, or contracts on a bare boat basis, I feel that you could not dispose of any ships.

Mr. HARDY. Is it not very evident if we would do away with the Army Transport Service and turn that amount of traffic, freight, and passenger over to the boats that are operating now under M. O. 4 contracts, that that just assures the operator of a bigger percentage of the gross receipts without any possibility of loss?

Mr. EDMONDS. I agree with you fully on the M. O. 4 agreement. I never did like the M. O. agreement, and do not like it to-day, and I do not think it is going to exist for all time.

The CHAIRMAN. We hope to have the sun shine some time.

Mr. PATCHIN. The transport freight is not the only thing which American shipping requires to enable it to operate profitably, and thus to be able to answer Mr. Hardy's question it is necessary to know definitely what there will be in the future.

Mr. HARDY. I want to know right now, would your company give up these charters under which it is now operating, and accept a bare boat charter and run these vessels in this service without any guarantee of a percentage profit?

Mr. PATCHIN. That would depend entirely on the contract?

STATEMENT OF MR. HUGH GALLAGHER, REPRESENTING THE PACIFIC STEAMSHIP CO. AND ADMIRAL LINE.

Mr. GALLAGHER. I appear representing the Pacific Steamship Co. and Admiral Line and am the general eastern agent.

Mr. Chairman and gentlemen, the Admiral Line at the present time is operating a fleet of these new 13,000-ton dead-weight combination freight and passenger steamers, built for the United States Shipping Board. This operation is from the port of Seattle and we serve Japan and China and have our terminals at Manila. Our schedule calls for a sailing every 14 days from Seattle, and this means a similar semimonthly service from the Philippines to Seattle. The running time, stopping at all ports en route, is 25 days. The United States Army Transport Service at the present time is maintaining a monthly sailing from Pacific ports to Manila with the transports *Sherman*, *Logan*, *Thomas*, *Buford*, and *Dix*. I cite this to show that our service is more frequent. In addition to our service the Pacific Mail ships, this same dimension, class, and speed, maintain a similar service from San Francisco. In other words, there is plenty of service.

The operation of these ships is for the account of the Shipping Board, and the losses, if any, or the profits, if any, are for the account of the United States Government. These ships are at present com-

peting with the well organized and powerful Japanese and British lines, and in order to make our operation successful we need every bit of revenue that we can possibly get. If we could get the haul of Army cargo and handle the troop movement back and forth across the Pacific, it would mean that our ships would always be full, and, in time, our operations would show a profit. The Government business, plus the commercial business we are able to obtain, would turn red figures into satisfactory black ones, and the profit would be for Government account.

These steamers are, I understand, very satisfactory vessels for the needs of the Army, as they were originally designed as troopships. This is evidenced by their desire to obtain some of them from the Shipping Board in exchange for the old ones now operating and which have about reached the end of their careers. The transports operating on the Pacific are, on an average, 29 years old, and, in my opinion, that is about as long as it is safe to operate a ship, unless she is of extraordinary character. The Army, up to the present time, has operated without loss of life or property, but that is, as steamship and particularly insurance men know, largely a matter of luck. Any day might see a turn in that luck, and I can not help but feel that very severe criticism would fall on the United States Army transport service if there was any loss of life as a result of operating the old ships when there were available in the trade steamers, in sufficient number and of suitable character, to handle the business of the United States Army transport service.

We do not doubt our ability to properly handle the business. Our company operates steamers to Alaska and we have frequently handled movements of troops to Alaska garrisons at our regular tariff rate and apparently to the satisfaction of all concerned. For years we have handled Army cargoes to Alaska ports and have done it successfully. We can do the same thing as regards the movement of troops and cargo to the Philippines. There may have to be some special installation of troop quarters, but that is just a detail of construction and can be very easily taken care of by installing bunks all the way forward from where the present accommodations are located.

Mr. DAVIS. That would be paid for by the Government?

Mr. GALLAGHER. That would be paid for by the Government. I have not had access to other than the records submitted by Gen. Conner, so I have taken them as a basis for presenting a few general statements of comparisons and possibilities. The record shows passengers carried from San Francisco to Manila and Manila to San Francisco and San Francisco to sundry oriental ports, amounted to 9,338, taking Gen. Conner's record.

Mr. CHINDBLOM. For what period?

Mr. GALLAGHER. That is for the period ending May 30, 1921—from July, 1920, to May, 1921. Allowing 25 per cent as officers with their families, and civilian clerks; or, in other words, first-class travel, or 2,335 in all, at the going rate of \$75 per head, the total cost would be \$875,625. The balance, or 7,033 men, would be carried in the third-class accommodations, which are similar in every respect to the soldier's steerage now in use on our transports. For this class of travel, and for the sake of argument, suppose we make a rate of \$100 per

man, which would include meals and be a net rate to the Army, the cost, then, for the entire travel would be \$700,300. Summing up, the net cost to the Army, Marine Corps, and the Navy, would be as follows: Passengers, first class, \$875,625; third class, \$700,300; cargo, \$751,084; or a total of \$2,337,009.

The cargo analysis is as follows: San Francisco to Manila, 33,537 tons at \$16, \$536,592; Manila to San Francisco, 1,272 tons at \$16, \$20,352; San Francisco to Honolulu, 25,635 tons at \$7, \$179,645; Honolulu to San Francisco, 1,117 tons at \$7, \$8,239; and San Francisco to Guam, 391 tons at \$16, \$6,256. Total, 61,952 tons, for a total of \$751,084.

In figuring out the comparative cost, the Army has used the general merchandise rate of \$16 to and from Manila. Attention is drawn to the abstract of rates which I will leave with you, and you will note that the general rate ranged from \$5 to \$16. The principal commodities moving are flour, feed, canned goods, iron and steel—articles which all take a rate lower than \$16. In fact, if care were taken in the billing and shipping, they would find that very nearly all their cargo would move for less than \$16. In my opinion, their average rate would be \$11 per ton. Furthermore, the shipper would have the advantage of recovering for loss or damage and, in the long run, this would mount up to a considerable sum.

The record shows that the cost of actually operating the ships primarily engaged in trade between the Pacific coast and Manila for the fiscal year ending May 21, 1921, was \$1,513,039. The annual interest, depreciation, insurance, etc., on these five ships is \$177,045, and the overhead as shown is \$139,860—or a total cost of \$1,829,944.

As near as I can tell from the record, the cost of operation and the overhead is given only for the actual voyages. Nothing seems to have been charged up against overhead or operation while the vessels were laid up. Some ships made two voyages and others made four. To get at the actual facts, the services should be grouped and an annual cost, including operation, interest, depreciation, insurance, and overhead, should be given. It would probably show that the cost of handling men and cargo very nearly approximates the cost based on to-day's commercial rates. If a contract rate was fixed for handling first and third class passengers, as well as cargo, there would be a material difference in the cost of the Army.

If five of the Hog Island ships are placed in the service, then the fixed charges alone will jump from \$177,000 to \$2,770,000, or more than the entire cost of handling the business—that is, if these ships are placed in the service in substitution for the old ships now operating trans-Pacific. Of course, the cost of operations and the overhead must be added, and these will swell the total another \$1,500,000. In other words, it will cost the Army about four and a quarter millions to do two and one-third million dollars' worth of work, or approximately two for one. As a business proposition, if I were the general manager, I would recommend that the handling be placed with the Shipping Board lines.

I want to leave a schedule of our sailings from Seattle to Far Eastern ports, and I would like to leave an abstract of the tariff, which will show the commercial rates.

(The papers submitted by Mr. Gallagher are as follows:)

Pacific westbound rates from Seattle, Wash., to Manila, P. I.

	Overland rate per 2,000 pounds, except as noted.		Local rate, except as noted.	
	Per 2,000 pounds.	40 cubic feet.	Per 2,000 pounds.	40 cubic feet.
Agricultural implements, n. o. s., including thrashing machines, in packages.....	\$9.00	\$9.00		
Airplanes.....		9.00		\$9.00
Alcohol.....	14.00	14.00	\$14.00	14.00
Ammonia, sulphate and nitrate of.....	6.00		6.00	
Ammunition in cases.....	25.00			
Automobiles, freight and passenger, including chassis and trailers.....		8.00		8.00
NOTE.—Rate named applies on shipments of extra parts (finished, or unfinished) except cyclometers, headlights, horns, lamps, searchlights, speedometers, and windshields.				
Bedsteads, iron and brass, and bed springs.....	10.00	10.00		
Cigarettes.....	8.00		10.00	
Condensed milk.....	10.00		10.00	
Canned goods, namely, fruits, meats, vegetables, jellies, jams, and preserves, soups in tin, glass, or earthenware packages hermetically sealed.....			12.00	12.00
Canned salmon, cases containing 4 dozen 1-pound talls will be accepted at 70 pounds per case.....			12.50	
Canned sardines.....			12.00	12.00
Cement.....			7.00	
Copper bars, sheet and tubes, bars.....	8.00			
Cotton piece goods.....		10.00		
Fire brick and fire clay.....			10.00	
Flour.....			7.00	
Glassware, n. o. s.....		16.00		
Hay.....				12.00
Heavy weights: Extra heavy packages or pieces are subject to additional charges above the freight rate shown herein to cover increased expense in handling as follows:				
Per 2,240 pounds or 40 cubic feet—				
4,481 to 8,960 pounds.....	4.00			
8,961 to 13,440 pounds.....	6.00			
13,441 to 17,920 pounds.....	9.00			
17,921 to 22,400 pounds.....	13.00			
22,401 to 33,600 pounds.....	17.00			
Over 33,600 pounds, special contract.....				
Salt, n. o. s., in packages.....			14.00	
Soap and soap powders.....			15.00	15.00
Household goods, including second-hand furniture and personal effects, carriers' liability limited to \$10 per 100 pounds—				
In case of loss or damage and so stipulated on bill of lading.....	16.00	16.00	16.00	16.00
When not stipulated on bill of lading.....	32.00	32.00	32.00	32.00
Refrigerator cargo.....			30.00	30.00
Houses, portable, knocked down.....	12.00	12.00	12.00	12.00
Meat.....			13.00	
Iron and steel articles: Angles, band iron, bars, bolts, castings, channel iron, horseshoes, nails, nuts, plates (flat), rails, rivets, sash weights, boiler tubes, tinplate, wire (not copper), wire (barb).....				
Potatoes.....	5.00		5.00	
Lead.....	15.00		10.00	
Lead.....	8.00		15.00	
Leather.....			20.00	
NOTE.—On leather the overland tariff has been amended so as to read same as general merchandise rate, namely, \$14, weight or measurement.				
Machinery, n. o. s., including sewing machines.....	9.00	9.00	9.00	9.00
Tire, rubber, solid, pneumatic, in pack.....		12.50		
Tractors and traotor parts.....	10.00	10.00	10.00	10.00
Window sash, steel.....	11.25	11.25		
Wire rope.....	12.00		12.00	
General merchandise, n. o. s., in packages.....	14.00	14.00	16.00	16.00
Minimum bill of lading charge.....	5.00	5.00	5.00	5.00
Live stock, each:				
Horses.....	110.00		110.00	
Colts.....	60.00		60.00	
Cows.....	75.00		75.00	
Calves, under 12 months.....	45.00		45.00	
Bulls.....	100.00		100.00	
Stallions.....	135.00		135.00	
Sheep.....	20.00		20.00	
Hogs.....	35.00		35.00	

TRANSPORT SERVICE OF THE GOVERNMENT.

Proposed transpacific sailings of the Admiral Line—Schedule No. 3.

[Subject to change, cancellation, or individual postponement without notice.]

OUTBOUND TO THE ORIENT.

Steamship.	Voy- age No.	Leave Seattle 11 a. m.	Leave Victoria.	Yokohama.		Kobe.		Shanghai.		Hongkong.		Due Manila 7 a. m.
				Due.	Leave.	Due.	Leave.	Due.	Leave.	Due.	Leave.	
Wenatchee.....	51	Oct. 15	Oct. 15	Oct. 27	Oct. 28	Oct. 29	Oct. 31	Nov. 2	Nov. 4	Nov. 6	Nov. 8	Nov. 10
Keystone State.....	52	Nov. 5	Nov. 5	Nov. 17	Nov. 18	Nov. 19	Nov. 21	Nov. 23	Nov. 25	Nov. 27	Nov. 29	Dec. 1
Silver State.....	52	Nov. 26	Nov. 26	Dec. 8	Dec. 9	Dec. 10	Dec. 12	Dec. 14	Dec. 16	Dec. 18	Dec. 20	Dec. 22
Pine Tree State.....	51	Dec. 10	Dec. 10	Dec. 22	Dec. 23	Dec. 24	Dec. 26	Dec. 28	Dec. 30	Jan. 1	Jan. 3	Jan. 5
A steanship.....	50	Dec. 24	Dec. 24	Jan. 5	Jan. 6	Jan. 7	Jan. 9	Jan. 11	Jan. 13	Jan. 15	Jan. 17	Jan. 19
Bay State.....	53	Jan. 14	Jan. 14	Jan. 26	Jan. 27	Jan. 28	Jan. 30	Jan. 31	Feb. 2	Feb. 4	Feb. 6	Feb. 8
Keystone State.....	53	Feb. 4	Feb. 4	Feb. 16	Feb. 17	Feb. 18	Feb. 20	Feb. 22	Feb. 24	Feb. 26	Feb. 28	Mar. 2
Silver State.....	52	Feb. 13	Feb. 13	Mar. 4	Mar. 5	Mar. 6	Mar. 8	Mar. 10	Mar. 12	Mar. 14	Mar. 16	Mar. 18
Pine Tree State.....	51	Mar. 16	Mar. 16	Mar. 28	Mar. 29	Mar. 30	Mar. 31	Apr. 1	Apr. 3	Apr. 5	Apr. 7	Apr. 9
Bay State.....	52	Mar. 16	Mar. 16	Mar. 31	Mar. 31	Apr. 1	Apr. 3	Apr. 5	Apr. 7	Apr. 9	Apr. 11	Apr. 13
Keystone State.....	54	Apr. 15	Apr. 15	Apr. 30	Apr. 31	Apr. 1	Apr. 3	Apr. 5	Apr. 7	Apr. 9	Apr. 11	Apr. 13
Silver State.....	53	Apr. 15	Apr. 15	Apr. 27	Apr. 28	Apr. 29	May 1	May 3	May 5	May 7	May 9	May 11
Pine Tree State.....	53	Apr. 29	Apr. 29	May 11	May 12	May 13	May 15	May 17	May 19	May 21	May 23	May 25

INBOUND FROM THE ORIENT.

Steamship.	Voy- age No.	Leave Manila 5 p. m.	Hongkong.		Shanghai.		Kobe.		Yokohama.		Arrive Seattle.
			Due.	Leave.	Due.	Leave.	Due.	Leave.	Due.	Leave.	
Wenatchee.....	51	Nov. 14	Nov. 16	Nov. 18	Nov. 20	Nov. 22	Nov. 24	Nov. 26	Nov. 27	Nov. 29	Dec. 9
Keystone State.....	52	Dec. 5	Dec. 7	Dec. 9	Dec. 11	Dec. 13	Dec. 15	Dec. 17	Dec. 18	Dec. 20	Dec. 30
Silver State.....	52	Dec. 26	Dec. 28	Dec. 30	Jan. 1	Jan. 3	Jan. 5	Jan. 7	Jan. 8	Jan. 10	Jan. 20
Pine Tree State.....	51	Jan. 9	Jan. 11	Jan. 13	Jan. 15	Jan. 17	Jan. 19	Jan. 21	Jan. 22	Jan. 24	Jan. 30
A steanship.....	50	Jan. 23	Jan. 25	Jan. 27	Jan. 29	Jan. 31	Feb. 2	Feb. 4	Feb. 5	Feb. 7	Feb. 17
Bay State.....	53	Feb. 13	Feb. 15	Feb. 17	Feb. 19	Feb. 21	Feb. 23	Feb. 25	Feb. 26	Feb. 28	Mar. 10
Keystone State.....	53	Feb. 13	Feb. 13	Feb. 25	Feb. 26	Feb. 27	Feb. 29	Mar. 1	Mar. 2	Mar. 4	Mar. 12
Silver State.....	52	Mar. 6	Mar. 8	Mar. 10	Mar. 12	Mar. 14	Mar. 16	Mar. 18	Mar. 19	Mar. 21	Mar. 31
Pine Tree State.....	51	Mar. 20	Mar. 22	Mar. 24	Mar. 26	Mar. 28	Mar. 30	Apr. 1	Apr. 1	Apr. 3	Apr. 14
Bay State.....	52	Apr. 17	Apr. 19	Apr. 21	Apr. 23	Apr. 25	Apr. 27	Apr. 29	Apr. 30	Apr. 1	Apr. 28
Keystone State.....	54	May 1	May 3	May 5	May 7	May 9	May 11	May 13	May 15	May 17	May 26
Silver State.....	54	May 15	May 17	May 19	May 21	May 23	May 25	May 27	May 28	May 30	June 9
Pine Tree State.....	53	May 29	May 31	June 2	June 4	June 6	June 8	June 10	June 11	June 13	June 23

Stay of steamers.—The stay of steamships at intermediate ports of call is about as follows: Victoria, 3 hours; Yokohama, 24 hours; Kobe, 60 hours; Shanghai, 60 hours; Hongkong, 60 hours; Manila, 82 hours.

The steamships.—The five palatial vessels operated in this service are sister ships of 21,000 tons displacement, just built by the United States Shipping Board, at a cost of over \$8,000,000 each. They are 535 feet long, 72 feet wide, are capable of maintaining a sea speed of 17½ knots per hour, and have accommodations for 559 passengers. Their passenger accommodations vary from four-room bungalow suites to standard staterooms, accommodating two and three passengers. Practically an entire deck is given over to spacious twin bedrooms with private connecting shower or tub baths. The staterooms, which are all outside, are equipped with electric heaters, automatic fire alarms, individual dressing, shaving, and reading lights, wardrobes, bureaus, and thermos bottles.

Special features.—Among the outstanding features of these magnificent new vessels are: Four room suites deluxe; palm garden tea rooms, sheltered verandas; glass-enclosed promenades, plunges, cheerful open fireplaces, and six-ward hospitals. Each vessel carries competent doctor, barber, manicurist, and public stenographer in addition to a large staff of stewards, bell boys, stewardesses, who are constantly at the service of passengers. A five piece jazz orchestra furnishes music in the dining saloon during meal hours and on deck in the evening for dancing.

Only 12 days to Yokohama; 14 days to Kobe; 18 days to Shanghai; 22 days to Hongkong.

Mr. DAVIS. Are you through with your statement?

Mr. GALLAGHER. Yes, sir.

Mr. DAVIS. You counted in the Army Transport Service overhead, interest, and depreciation?

Mr. GALLAGHER. Yes, sir.

Mr. DAVIS. Is that counted in in the operation of vessels under M. O. 4 contracts?

Mr. GALLAGHER. No; not so far as our operation is concerned. It is counted in by the Shipping Board in their annual statements.

Mr. DAVIS. In other words, that is a loss to the Government. Now, why is it that you insist on counting a similar loss to the Government on Army transports, but disregard it in figuring on the Shipping Board vessels that you operate?

Mr. GALLAGHER. Simply to get at a fair basis of comparison.

Mr. DAVIS. That is not a fair basis.

Mr. GALLAGHER. If you are going to carry it on one you ought to count it on the other.

Mr. DAVIS. That is the trouble; you count it on one and do not on the other.

Mr. GALLAGHER. My opinion is if this business were secured by these Shipping Board passenger steamers that you could pay depreciation, interest, and insurance, and then have something left.

Mr. DAVIS. You say you are operating at a loss?

Mr. GALLAGHER. You are speaking of the ships as they now stand; I am speaking of them as they would stand if we had this transport business.

Mr. DAVIS. On these passenger and freight vessels that you are operating, you would not carry high explosives, would you?

Mr. GALLAGHER. We would carry them on the freight ships.

Mr. DAVIS. I thought you said they were all passenger and freight.

Mr. GALLAGHER. We carry general cargo on those. On cargo and passenger steamers we are prohibited from carrying explosives, but we also maintain a cargo service.

Mr. DAVIS. What is that?

Mr. GALLAGHER. We have five steamers of 9,600 tons, all making these same ports.

Mr. DAVIS. How often?

Mr. GALLAGHER. They sail every three weeks.

Mr. DAVIS. What is your rate on high explosives from the Pacific coast to Manila?

Mr. GALLAGHER. About \$25 a ton at the present time.

Mr. DAVIS. You did not figure that in in reducing their average from \$16 to \$11?

Mr. GALLAGHER. The iron and steel rate is \$5 and most of the commodities run \$7, \$8, \$9, and \$10, and explosives, I imagine, could be handled on a contract for \$20, and the average would be about \$11. I have taken all those factors into consideration.

Mr. BRIGGS. Are you granted insurance on vessels carrying munitions?

Mr. GALLAGHER. Oh, yes; we can get insurance.

Mr. BRIGGS. What is the increase in rate on that-

Mr. GALLAGHER. I do not know. That is handled by our insurance department and I have not the figures. It is not a very great increase.

Mr. BRIGGS. You spoke about operating vessels recently to the Orient. To what extent have they been operated?

Mr. GALLAGHER. Ever since we have had the 535s. At the present time we are taking cargo at very, very low rates. We have had Japanese competition. We are getting a sufficient amount of cargo but not at profitable rates.

Mr. BRIGGS. What was the loss on that movement?

Mr. GALLAGHER. About \$50,000.

Mr. BRIGGS. Per ship?

Mr. GALLAGHER. Per ship.

Mr. BRIGGS. How long has that been continuing?

Mr. GALLAGHER. I have not got the actual figures, but I estimate that to be about the amount.

Mr. EDMONDS. You are just losing about the amount of the Japanese subsidy?

Mr. GALLAGHER. Just about the amount of the Japanese subsidy. The Japanese are subsidized and they get the slack from the Government.

Mr. DAVIS. Mr. Edmonds made the statement that one of those vessels could carry all the freight.

Mr. EDMONDS. The Manila freight, 33,000 tons.

Mr. GALLAGHER. There were 63,000 tons altogether, last year. Taking the whole thing, we could carry it in six trips.

Mr. DAVIS. And yet you are preparing to put on two more Shipping Board vessels?

Mr. GALLAGHER. We get other business. This is the nucleus; this is base cargo. We would get this as a nucleus for our business, which every steamship man wants. If you want to book cargo in any direction, you go out and get a lot of steel or iron at a low rate, manganese ore, or anything you can, and then you try to fill up with measurement cargo. This Army business would be a nucleus, and if we had this to bank on, then we could make some progress.

Mr. HARDY. You said one of those vessels lost about \$50,000 per voyage, going and coming.

Mr. GALLAGHER. Per ship; yes, sir.

Mr. HARDY. What commission is paid to the operators in that case?

Mr. GALLAGHER. We get 10 per cent of the gross passenger earnings, 5 per cent of the outward freight earnings, gross, and 2½ per cent of the inward freight earnings, gross.

Mr. HARDY. On that vessel on which you lost \$50,000, how much commission was paid to the operator?

Mr. GALLAGHER. We got a commission on just what business we turned up for the Shipping Board.

Mr. HARDY. I want to get what that is.

Mr. GALLAGHER. If we got \$150,000 passenger revenue we would make \$15,000. If we got \$85,000 outward in freight we would make \$4,250, and if we had inward cargo of \$75,000 we get 2½ per cent of that. That is about \$1,750. The total would be about \$21,000.

Mr. HARDY. \$21,000 paid in commissions on a voyage that lost to the Government \$50,000?

Mr. GALLAGHER. Exactly.

Mr. EDMONDS. Ask him what he does for that service.

Mr. HARDY. Oh, I know what he does for the service. What I want to get at is would your company, if Congress should do away with the Army Transport Service and let you have that nucleus, make a contract for the lease of those vessels now operated under M. O. 4 agreements—would you make a contract for a bare-boat charter?

Mr. GALLAGHER. I am inclined to think we would. I do not want to commit the policy of my company, but I am inclined to think they would.

Mr. HARDY. In other words, you think they would probably make a profit over and above the commission they now get?

Mr. GALLAGHER. I think they would be inclined to take a chance. You ask us to guarantee this, that, and the other thing, but you have to guarantee to stand behind us.

Mr. HARDY. I ask you what you would do if we pass the law you want. If you still had that commission contract you would still have that much more commissions.

Mr. GALLAGHER. If we had proper support from the Government and the department, I think we could operate successfully.

Mr. HARDY. I am asking the question: If this law were passed and the Army Transport Service was done away with and it was understood private boats would carry that business, would you then charter these vessels?

Mr. GALLAGHER. I will answer that by saying if this law were passed and enforced and if the Jones law, which has already been passed, is enforced, we would.

Mr. HARDY. Oh, well, you mean to say you want to make a contract to bind you if the Government did to suit you in the future?

Mr. GALLAGHER. That is practically what it amounts to.

Mr. HARDY. But if you had this law passed would you then make a charter of these boats on any other basis than the present operating basis?

Mr. EDMONDS. Surely you would take the bare-boat charter basis, would you not?

Mr. GALLAGHER. We certainly would. I would be inclined to make a contract of charter-purchase.

Mr. CHINDBLOM. What do you mean by a contract of charter purchase?

Mr. GALLAGHER. Where we would pay so much per dead-weight ton per month.

Mr. CHINDBLOM. For how long a time would that run?

Mr. GALLAGHER. Ordinarily 20 years would be a fair deal. The board would have to mark down the war cost of its tonnage and get down to a reasonable price. And if they do that I think we would be open to a proposition.

Mr. CHINDBLOM. A fair and reasonable price, I suppose, would mean the market price.

Mr. EDMONDS. In other words, so much of the contract price would be charged off for charter, and so much of the amount to liquidate the purchase?

Mr. GALLAGHER. Exactly.

Mr. DAVIS. As I understand, you are now losing about \$50,000 per round trip?

Mr. GALLAGHER. I just estimated that. There may be voyages on which they break even.

Mr. DAVIS. As an average, you are losing about \$50,000 a voyage on the boat?

Mr. GALLAGHER. On past voyages, yes.

Mr. DAVIS. And each one of those vessels makes about a trip a month?

Mr. GALLAGHER. About 70 days.

Mr. DAVIS. Then, that is about five trips apiece?

Mr. GALLAGHER. Yes.

Mr. DAVIS. Per annum?

Mr. GALLAGHER. Yes.

Mr. DAVIS. And you have five vessels. That would be 25 trips, and that would be a loss of \$1,250,000. Now, if you got every bit of this business on the transport business, according to your figures, and it was all profit, is it not a fact that you would still be running at a loss, taking your own figures?

Mr. GALLAGHER. I do not know. There are so many possibilities in this business. This is simply a nucleus. We are not going to rely entirely on this Army business; we are going to get other business.

Mr. DAVIS. You are getting all the business you can now, and even if you got the Army business and it could be carried at what you state or the normal commercial rates, and aggregates what you state, and you lose that much, would you not still be losing money for the Government?

Mr. GALLAGHER. Be losing money for the Government?

Mr. DAVIS. Yes.

Mr. GALLAGHER. I do not know.

Mr. EDMONDS. I think that might be answered in this way: Are you running boats full, now?

Mr. GALLAGHER. We are running the boats full now, but not at satisfactory rates. We have to fill up with lumber, and if we had this other business we would get more revenue.

Mr. DAVIS. Yes; but you would be deprived of that revenue for the lumber, which would reduce your revenue still more. I added your revenue to what you assumed you would get for the Army.

Mr. GALLAGHER. You did not add enough, then. You know, you have passengers and freight to figure on.

Mr. DAVIS. I am taking your own figures for it. Getting all you can, you are losing \$50,000 per vessel per trip, and that will amount, at the lowest estimate, to \$1,250,000 loss per annum. And now, if you add to that, without deducting your other cargo—if you add to it all that you say the Army Transport Service is worth—

Mr. HARDY. At commercial rates.

Mr. DAVIS. At commercial rates, and do not lose any of your present cargo, why, you are still in a hole.

Mr. GALLAGHER. Yes; but we are getting started now and we are not running full of passengers by any means. If we get these additional passengers, we would get more than \$50,000 worth of business and be able to shut out low-paid cargo and get high-paid cargo, and we would certainly make a profit.

Mr. DAVIS. Your associate said awhile ago you were getting about all the passenger service you could carry.

Mr. GALLAGHER. That is true.

Mr. PATCHIN. The passenger ships now established are doing fairly well. More passenger ships would probably get more passenger business.

Mr. GALLAGHER. Five ships are going to be added in the North, and five more from San Francisco, and two more on the Matson service to Hongkong, and then there are the *Y. T. K.*, the *T. K. K.*, and the *O. S. K.*

Mr. CHINDBLOM. What is the total earnings that you estimate the transfer of the Army transport business from the Army to private shipping interests would bring those interests?

Mr. GALLAGHER. I think the total was two million two hundred and some odd thousand dollars.

Mr. CHINDBLOM. That would be distributed, how?

Mr. GALLAGHER. Well, I do not know how.

Mr. CHINDBLOM. You have three companies now, have you not?

Mr. GALLAGHER. There are three companies; yes, sir.

Mr. CHINDBLOM. And you are either operating or expect to operate in the near future 13 boats altogether?

Mr. GALLAGHER. Thirteen boats altogether.

Mr. CHINDBLOM. So that that business of two and a quarter million would be distributed among 13 boats?

Mr. GALLAGHER. Yes.

Mr. CHINDBLOM. And how many trips could each one of those boats make a year?

Mr. GALLAGHER. About five round trips.

Mr. CHINDBLOM. So that the \$2,250,000 of earnings would be distributed over 65 trips?

Mr. GALLAGHER. The East Indian service did not make that amount of trips. They make about three.

Mr. DAVIS. How can you sail every two weeks, then, if you only make three trips?

Mr. GALLAGHER. We have five ships, and two ships are coming out this coming month, and we will have them in service in December.

Mr. DAVIS. You mean that will make seven?

Mr. GALLAGHER. That makes five.

Mr. DAVIS. Five going every two weeks?

Mr. GALLAGHER. A week apart.

Mr. DAVIS. They will have to make about five round trips apiece in order to be back to make a trip every two weeks.

Mr. HARDY. He says they made about five trips.

Mr. DAVIS. This gentleman said three.

Mr. PATCHIN. The plan is to have 5 out of Seattle to Manila and 5 from San Francisco to Manila; that is, 10 ships would each make five round trips to Manila. Then you have the East India service, three ships, which at present call at Manila on their way to the East Indies, so that that supplements that service.

Mr. CHINDBLOM. How many do they make, those three?

Mr. PATCHIN. About three round voyages; they are slower.

Mr. CHINDBLOM. That would make about 53 round trips, and if you got \$2,250,000 worth of business,—

Mr. EDMONDS. It would be about 60 round trips.

Mr. CHINDBLOM. If you got two and a quarter million dollars' worth of business, it would give you \$40,000 additional revenue per round trip—not to exceed that. Forty thousand dollars would mean a revenue of \$2,400,000 for 60 round trips.

Mr. HARDY. And you are now losing \$50,000 per round trip, so that you would still be out \$10,000?

Mr. DAVIS. Together with the additional expense of carrying this other business?

Mr. GALLAGHER. I know, but you do not want to forget that we are dragging on the bottom so far as business goes. That is not going to last. Certainly we are going to get a homeward cargo and we expect to decrease the operating cost, and with this additional business it will put us in the clear.

Mr. CHINDBLOM. As the gentleman says, this being a nucleus or nest egg, it would be something certain which would be coming in constantly.

Mr. BRIGGS. Does your line carry mail now?

Mr. GALLAGHER. We are getting a very small share of the mail; yes—not what we want, by any means.

Mr. DAVIS. Who is carrying the rest of it?

Mr. GALLAGHER. I think the C. P. R. is getting the best of it—the Canadian Line.

Mr. CHINDBLOM. It is going on their ships?

Mr. GALLAGHER. It is going on their ships.

Mr. CHINDBLOM. Do they run faster than your ships?

Mr. GALLAGHER. No. They have a faster speed, but they do not make any better time.

Mr. DAVIS. Are those contracts let on competitive bidding?

Mr. GALLAGHER. No; on a fixed price.

Mr. DAVIS. Were they giving them this contract before you people had the service?

Mr. GALLAGHER. No. They have a peculiar way of working it in the Post Office Department; they take the first sailing. For instance, if the C. P. R. have a sailing on Thursday, and consequently you might say that vessel will arrive in Yokohama after the sailing which we have on Saturday, they would still give that to the C. P. R. boat

because she sailed a couple of days ahead of ours. We might beat the boat in, but they get the mail.

Mr. EDMONDS. Is it not against the law if they make a contract with the C. P. R.?

Mr. GALLAGHER. There is no contract.

Mr. EDMONDS. The law requires it to go on American ships if there are American ships in the service.

Mr. GALLAGHER. Yes.

Mr. EDMONDS. And it was done in the Post Office under Burleson, and it was done before that, and I got letters from Burleson and he said he did not care a darn who carried the mail, that they were going to carry it where they could carry it the cheapest.

Mr. DAVIS. Has Hays changed that?

Mr. EDMONDS. Yes; Hays can change it.

Mr. DAVIS. I know he can; but has he done it?

Mr. HARDY. That has always been a question in Congress here.

Mr. GALLAGHER. Mr. Hays is showing a very keen interest in this matter now, and we have been working with him and I think the Pacific Mail also, and we have been working with the other people in the department. There is adequate provision in the Jones bill to make a suitable arrangement between the Shipping Board and the Post Office Department.

Mr. DAVIS. Mr. Hays has been in office now for eight months. Has he indicated how much longer it is going to take him to act?

Mr. CHINDBLOM. My dear friend, he has eight years to overcome.

Mr. DAVIS. It ought not to take eight months for him to make up his mind.

Mr. EDMONDS. Why, it would take eight months to get the department straightened out.

Mr. DAVIS. No; he has not been straightening out the department; he has been looking after patronage.

Mr. GALLAGHER. I will take my chances with Hays.

Mr. EDMONDS. I know I took it up with Burleson, and what happened is this: They were given mail subventions and virtually paid a higher price in order to get it on the ships. That was an act of Congress. And from that time on postmasters have endeavored to evade that by not making contracts with the other lines but giving the mail to the line that would carry it at the lower rate.

STATEMENT OF GEN. G. F. DOWNEY, CHIEF OF TRANSPORTATION OF THE ARMY.

Gen. DOWNEY. Gentlemen, I have to say that I hesitate to say anything in defense of the Transport Service, after Mr. Marvin has stated that so many prominent gentlemen have come before me and stated we ought to do away with it. So I am simply going to mention a few facts.

The CHAIRMAN. You are a good fighter, so go ahead.

Gen. DOWNEY. I have to say that there has never been any merchant vessel which within five or six months can prepare to properly handle troops as a transport; and, for that reason, I can not see how merchant vessels can be put in shape and in position to do away with the entire transport service of the United States and expect to carry troops, in case we have to carry them, to Vera Cruz, or very

suddenly to carry them to Cuba, as we have done time and time again, or have to carry them to Manila, or have to carry them to Japan. Why, we have got no ships to do it. I will go back to 1898, when I went out on the transports that were given to us by the merchantmen of this country, and we had to bring up as high as 100 to 150 men on deck every day to keep them from suffocating from the heat. They were prostrated with the heat because there was no ventilation in the hold or the bottom of that vessel, and those men suffered to that extent. In the last war we had the same thing occur. There were as high as 200 to 250 men brought on deck on some of the best merchantmen we have in the United States or that run on the Atlantic. They were brought on deck because they were prostrated by the heat.

Now, I am not making any argument for the officers or their families, or anything of that kind; we can take care of the officers and their families, except possibly in the case of the Pacific Mail, where they state they have most of their passenger accommodations filled up. Consequently we know that the officer and his family is going to get the tail end of that accommodation if they go through with it; or the enlisted man, the sergeant, and the noncommissioned officer, who gets a second class or a third class, he is going to get the tail end of what is left after they have filled up their accommodations and their entire space with the people they have got. Then the enlisted man is going to be put in the steerage. And the enlisted man is the man we have got to attend to, the man we have got to take care of, and the enlisted man is the man that has the vote; he is the man that comes in the Army to-day and he is the man that goes out of the Army to-day.

Mr. DAVIS. Right in that connection it has been stated by these representatives of the Pacific Mail Steamship Co. that most of their third-class passenger service is with orientals. Do you think it would be satisfactory to the American private to get down in the hold and take quarters with those orientals?

Gen. DOWNEY. Most certainly not. And I know we would have a protest that you would hear from one end of the country to the other, because we lost a Secretary of War at one time on account of his failure to take care of the enlisted man on the ships and the enlisted man in the camps, and that was Secretary Alger, on account of his failure to observe the sanitation and necessity of taking care of the enlisted men on the ships.

I would also like to state that we have just received—I got a letter yesterday or day before from the superintendent of my transport service in Manila and he showed me that on the transport *Sherman* he had made a profit of \$115,000 over what it would have cost for the commercial line to carry the same amount of cargo and passengers.

Mr. BRIGGS. Upon what do you base that? Have you the figures on this, General?

Gen. DOWNEY. Yes; I have them all.

Mr. BRIGGS. I wish you would show in detail how that estimate is made up?

Gen. DOWNEY. It was figured out on the amount of cargo; it was figured on the cost of the enlisted man per ration, and it was figured on a cost of \$1.75 for the officer per day.

Mr. BRIGGS. Will you put that in the record? I think everybody is entitled to it.

Gen. DOWNEY. Oh, yes. And we can show that on every voyage that we make nowadays in the Pacific we can show a profit running very high, and even higher, over what it would cost to carry them on a commercial liner.

Mr. CHINDBLOM. Do the privates maintain their own messes on board of the transports?

Gen. DOWNEY. We have a mess for them, sir. That is another point to be taken up, and the point of the galley of the ship; it has to be three or four times the size of the average galley mess hall, the urinals and mess halls have to be very much larger, and the hospital has to be very much larger to take care of 2,000 or 2,500 men that have to go on these ships at any time. Furthermore, we can mention several other things which have had to be put on these vessels. The air is a very important point. We have to have a circulation of air around the bunks of the men which presents this point I have mentioned regarding the question of the men being able to stand the circulation of air down below decks.

Mr. BRIGGS. Do you mean you have to keep a certain temperature, a certain pressure?

Gen. DOWNEY. No, sir; we do not have to do that. What I mean to say is our vessel has to be built differently from the average merchantman that travels, because we have to take care of the enlisted men better than they do the same class.

Mr. BRIGGS. You mean for ventilation, etc.

Gen. DOWNEY. For ventilation entirely.

Mr. CHINDBLOM. Do I understand that is due to the fact the men of the Army are accustomed more or less to outdoor life?

Gen. DOWNEY. No, sir; not so much so, but they are men who are kept in very active life, and they are required to do a certain amount of training continually and it keeps them in a very good condition. And when they go in and do not get the air, why, we have gotten in trouble and heard from it all over the country.

Mr. CHINDBLOM. You do say they need a larger circulation of air, then, than the ordinary passenger on the merchantman?

Gen. DOWNEY. I would not say that necessarily, but I think they need a very much larger circulation of air than the average man you are bringing from the Orient or some place of that kind, where they live in a Chinese house or something of that kind, where they get no air.

Mr. HARDY. Chinatown is very much congested. There is a whole lot of them down there and they need a heap of air.

Gen. DOWNEY. Yes; they need a heap of air.

Mr. EDMONDS. The transports are built so as to blow the air down and the other ships are not?

Gen. DOWNEY. Yes. Another thing, we have to carry very large refrigerator space; that is, so much larger than the average merchant vessel that it ruins the space for cargo. We have to carry a very large refrigeration space for meats and things of that kind, so that when you take into consideration our toilets, or bathing facilities, our refrigerators, our hospitals, our galley, our mess-hall facilities we have cut off so much space from the cargo that the merchant vessel can not make it pay.

Mr. BRIGGS. How much more have you cut off than the ordinary merchant ship?

Gen. DOWNEY. Why, I should say we would cut off at least 50 per cent.

Mr. BRIGGS. More space?

Gen. DOWNEY. Yes; if not more.

The CHAIRMAN. How long has the Army been carrying soldiers in this manner?

Gen. DOWNEY. Ever since 1898.

The CHAIRMAN. That is because of the Spanish War.

Gen. DOWNEY. Yes, sir.

The CHAIRMAN. The Spanish War was all over when I came here. I came here in 1898, but the celebration was all over before I got here. I went home for a few days and they had the celebration while I was away.

Gen. DOWNEY. We did not have the Philippines before the Spanish War, nor did we have Honolulu and a few other places, or did we have Cuba. We have had to go to Cuba twice and are likely to go there at any time again, or to Vera Cruz. It may, as likely as not, occur to-morrow.

The CHAIRMAN. This preparation for war has still got to be kept up, even if we have the disarmament meeting.

Gen. DOWNEY. The United States transports have got to be kept up even if we have the disarmament meeting, and there is not a merchant vessel that is capable of taking care of the soldier when we want to transport him.

Mr. HARDY. Have you a general statement of how much the Transport Service costs the Army?

Gen. DOWNEY. Yes; we can give a six months' statement right here, sir.

Mr. DAVIS. Is it not a fact that the unsatisfactory conditions which developed in the Spanish-American War with regard to the Transport Service was the real cause of the establishment of the Army transport system?

Gen. DOWNEY. That the unsatisfactory conditions—

Mr. DAVIS. Had developed in the Spanish-American War?

Gen. DOWNEY. Yes.

Mr. DAVIS. In undertaking to carry troops in ordinary passenger vessels?

Gen. DOWNEY. That was a condition that we found existing, and it made it necessary for us to have a transport service. The Pacific Mail, I might state, has tried twice before to do away with the Transport Service; but the Transport Service, the minute you do away with it, is gone, and when you want a transport you won't have it if you want it suddenly.

With regard to this statement that the Shipping Board is to farm it out to the Pacific Mail on the contract M. O. 4 by the Shipping Board paying all costs and paying the charterer a percentage, I do not know what that will be, but it does not strike me that the Pacific Mail is taking much chances, but the Shipping Board is taking a good deal of chances. We have asked the Shipping Board to turn over to us six vessels and to do away with these old vessels that we have, but the Shipping Board does not want, it seems so far, to do

it, for the reason that they want to do away with the Transport Service also, and they want to get the control of all ships.

Mr. EDMONDS. They have never said so yet.

Gen. DOWNEY. No.

Mr. DAVIS. Mr. Lasker stated in his testimony before the Appropriations Committee he was in favor of doing away with the Transport Service and the Panama Steamship Co.

Mr. EDMONDS. In ordinary times, taking Manila, with this transport service to-day, you move about 7,500 troops a year, do you not?

Gen. DOWNEY. That depends entirely—

Mr. EDMONDS. You have about 15,000 men over there, and you calculate to keep a man over there not over two years?

Gen. DOWNEY. Yes, sir; about 17,000.

Mr. EDMONDS. That is 7,500 men a year?

Gen. DOWNEY. Yes, sir.

Mr. EDMONDS. If you had that 60 voyages running from Manila, that would average about 100 a voyage, that is all.

Gen. DOWNEY. We are endeavoring to move them by units.

Mr. EDMONDS. You have never been able to do it, because the *Sherman* will only hold about 1,500, and that is not a regiment.

Gen. DOWNEY. I know, but the *Thomas* will hold a great many more.

Mr. EDMONDS. It really is not necessary to do that. You are discharging men from Manila all the time because their time is up, and you are sending them back here in transports, and the same transports go out with 100 or 200 men and some go out with 1,600. I went over on a transport with 1,600 men on board. They dropped 700 at Honolulu and took on 900 at Manila, and there were two different regiments on there, and when they came back they had two regiments—I suppose there were 8 or 10 regiments, because they were all discharged men coming back. But really, in time of peace, these ships could do your transport work.

Gen. DOWNEY. These ships could do our transport work in time of peace, you say, but I want to say to you that they are not going to be ready for it. We have to be training men for transport work all the time.

Mr. EDMONDS. We are training them for you in the shipping business. They are better than you obtain, because your men come in and after a couple of years they go out.

Gen. DOWNEY. You are not training transport men and officers with regard to personnel, and around the depots and harbors we need transport men to be trained for that work, and there are training schools in the Infantry and training schools in the Cavalry, and so on, and why shouldn't there be transport training schools?

Mr. EDMONDS. I know, but here is Gen. Hines and Gen. Connor and yourself following right along one right after another, and you do not, any one of you, stay there long enough to learn the business.

Gen. DOWNEY. I have been 10 years learning the business. I learned the business before I went into the Army.

Mr. EDMONDS. I think you may be an exception, but you will find those folks moving along all the time.

Gen. DOWNEY. Well, I think that condition of affairs exists all the time throughout the Army. With regard to the *Dix*, that has

been mentioned, that is a freighter. It runs from Seattle. It is an animal ship; that is all it is used for.

Mr. EDMONDS. That carries the Cavalry—the horses?

Gen. DOWNEY. The horses to Manila, or to Honolulu.

Mr. EDMONDS. You could put those on a freight steamer, could you not?

Gen. DOWNEY. Oh, yes; but a freight steamer is not fixed for them at all.

Mr. EDMONDS. It would have to be fixed up for them.

Gen. DOWNEY. But when they talk and say, "Oh, yes; that will be all right; why we will just put on a few cabins, and this and that, and that makes it all right," I know that is not all right, because you can not put on a few cabins in a few days. That takes quite a while.

Mr. EDMONDS. I agree with you fully; if you expect to carry the number of men you carry on the *Sherman* and *Thomas*, or any of those boats over to Manila, and expect to have them comfortable, you can not do it.

Gen. DOWNEY. I am simply referring to the statement made by the Pacific Mail representative. Now, they take lumber to fill up. If they are going to carry the freight of the transport service, if they are going to carry the passengers in transport service, they are not going to pay anything other than what it costs to go on the transport service; they are not going to pay any more than it costs for the officer to travel, and his family, over there. The Pacific Mail is not going to make any money out of the transport service; they think they are just going to fill up the space, and that is all they are going to do. And, as a matter of fact, I was brought into a conference on this matter the other day on the question of building the transport up or turning it over to the Shipping Board, and they expect to lose \$300,000 a year.

Mr. EDMONDS. On your business?

Gen. DOWNEY. No, sir. They expected to lose that on the ships they were going to put on the Pacific.

Mr. EDMONDS. Yes; I guess they will; but that will be better to lose money on the transports if they can do the service.

Gen. DOWNEY. You think that will be better, do you?

Mr. EDMONDS. Oh, surely. You have \$7,000,000 loss on the transports.

Gen. DOWNEY. Well, as I said when I asked to interrupt at that time, it would cost over \$600,000—

Mr. EDMONDS. I think that is true.

Gen. DOWNEY (continuing). That they will lose there.

Mr. EDMONDS. Still, that is better than \$6,382,000, according to your own statement.

Gen. DOWNEY. I will give you the particulars on that right now. That is your figure.

Mr. CHINDBLOM. Is that on the Pacific alone?

Mr. EDMONDS. Oh, no; that is on the whole thing.

Mr. HARDY. I understand the General means it would cost that much more than what it would cost to do it by the Transport Service.

Mr. EDMONDS. Oh, no; I gave them credit for the commercial freight rates on all transport work, according to their own statement.

I have just taken their own statement and analyzed it, and they do not like this statement now and are going to give a new one.

Gen. DOWNEY. No; I sent that statement up myself; I brought it to you myself.

Mr. EDMONDS. That was Mr. Weeks's statement.

Gen. DOWNEY. Yes, sir. I brought it up to refute your statement.

Mr. EDMONDS. But you did not.

Gen. DOWNEY. I think you will find it in there.

Mr. BRIGGS. I wish you would state, at this point, just what this cost is.

Mr. EDMONDS. I will put Mr. Weeks's letter in at the same time.

Mr. BRIGGS. I should like to know just what this cost is.

Gen. DOWNEY. If you are asking for the figures, Col. Thompson will give you the figures.

Mr. BRIGGS. You read those figures on the question we are discussing.

Mr. DAVIS. I suggest they be permitted to file those figures and to have them put in the record.

Col. DALTON. I can give it to you very briefly. We have divided the Transport Service activities into three groups, one for the Atlantic service, including Panama and Antwerp; the other from New York to Panama; and the other the Pacific service. The one that seems to be most interesting is the Pacific service, and this covers the period of activity for the first six months of 1921; that is, January 1, 1921, to June 30, 1921. This is the latest data we could get when we were recently called upon by the War Department to give that, and our total Pacific service between those dates, and answering Mr. Edmonds—I took some pains to make an analysis of your analysis, and this analysis is my reply to yours.

Mr. EDMONDS. I only took your figures.

Col. DALTON. Of course, I can very readily prove to you that my analysis is correct. The cost of the Army Transport Service for the Pacific, including all operations cost and the overhead, all the items, including stevedoring—I mention that because Mr. Edmonds mentioned that before—brings us to a grand total of one million—

Gen. DOWNEY. That does not include insurance, however.

Col. DALTON. \$1,789,528.71. That is our grand total for the period covered from January 1 to June 30, 1921, giving each ship by voyage and each detail by voyage and the detail of each voyage.

Mr. BRIGGS. How many ships does that include?

Col. DALTON. That includes one freighter, *Edgemoore*; the freighter, *Dix*; one steamer, the *Madawaska*; and the transports, *Sherman*, *Sheridan*, *Thomas*, and *Logan*, the *Sheridan* being now out of commission.

Gen. DOWNEY. Now, those are steamers, excepting the *Dix*, and the *Edgemoore* is turned back to the Shipping Board.

Mr. EDMONDS. The *Edgemoore*, Colonel, was an allocated boat, was it not; you did not own that?

Col. DALTON. The *Edgemoore* was allocated, not owned?

Mr. EDMONDS. How about the other one? Was that allocated too?

Col. DALTON. The *Madawaska* was allocated.

Mr. EDMONDS. What do you charge up against them for depreciation?

Gen. DOWNEY. We own her now.

Col. DALTON. This is the voyage cost, including the lay days in port and the shore overhead.

Mr. EDMONDS. It includes all charges for loading and unloading?

Col. DALTON. All charges except insurance and interest on investment.

Mr. EDMONDS. And it includes depreciation?

Col. DALTON. It includes depreciation. That, of course, would come in in the general charge, or the total charge, of the Transport Service.

Mr. BRIGGS. Have you the figures there showing the troops transported?

Col. DALTON. I have that in a detailed statement by vessels.

Mr. BRIGGS. You have not the total of the tonnage transported on vessels during that period?

Col. DALTON. The grand total?

Mr. BRIGGS. Yes.

Col. DALTON. No; I have not got that.

Mr. BRIGGS. In other words, you have no figures showing the total cost per ton?

Col. DALTON. The only thing we can show—the cost per ton as compared with the standard commercial rate which we have been able to obtain from Pacific coast countries.

Mr. BRIGGS. Just what would that standard commercial rate be? What would it be if you utilized commercial lines instead of the Army Transport Service, assuming it to be suitably utilized?

Col. DALTON. For the Pacific service the cost to operate is \$1,789,528.71. The cost at the commercial rates, the lowest commercial rates quoted to us on the freight and passengers, for the same service for that time on the Pacific coast, was \$2,364,912.64, or a difference in favor of the Army Transport Service between actual cost of operation, including shore overhead, of \$575,383.93 for six months' operation. Now, double that and you will have something like \$1,150,000. If we take off the depreciation upon those actual vessels operating—take off the interest on the original investment, the lowest cost of actual operations, which is the steady cost to the United States Government all the time, then you will get down to actually what this cost, and that must be added to the actual operation cost in all fairness.

Mr. EDMONDS. Interest, depreciation, and insurance?

Col. DALTON. We do not carry insurance.

Mr. EDMONDS. The other lines do, of course. You are competing with the other lines. We want to see whether the service is economical.

Gen. DOWNEY. We are showing you what it costs us as compared with the other lines.

Col. DALTON. Just one point on that has occurred to me. If these ships were transferred over to the Shipping Board and allocated to a commercial concern to operate, the United States would still have to carry somewhere all those charges, just the same. If the Shipping Board carried no insurance, it would be on the same status as the transport service. If it was turned over to a shipping concern

on a bare boat charter, then the increased rate would have to be added to interest.

Mr. BRIGGS. What increase of rate is made by reason of the carriage of munitions?

Col. DALTON. About 100 per cent.

Mr. CHINDBLOM. Was that movement of freight and passengers during the first six months of this year about the normal or usual movement?

Col. DALTON. Just about normal; yes, sir.

Mr. CHINDBLOM. Let me make this observation: If your estimate is correct, that that would have cost, according to commercial rates, \$2,300,000 for the year, that would make a business of \$4,500,000, whereas the estimate of the representative of one of the companies a while ago was that the business would bring them about \$2,250,000. So that there must be a great deal more business than they figured on.

Col. DALTON. The estimate for the Pacific coast for the next fiscal year, our estimated cost—I took note of the remark made at that time—he made the estimate that our business on the Pacific coast would amount to about \$4,000,000. That is entirely beyond our future expectation.

Gen. DOWNEY. He has figured on the basis of commercial costs, and we are figuring on the basis of the costs that we make.

Mr. CHINDBLOM. I know that, but you figure that the business which cost you \$1,700,000 would have cost \$2,300,000 by commercial rates, so that for the whole year at commercial rates your business would amount to at least \$4,000,000?

Col. DALTON. If it was kept up at the same rate; yes, sir.

Mr. CHINDBLOM. Would it not be kept up at that rate?

Col. DALTON. Yes; it would, but not at the same cost, because since that time—here is something rather interesting which the commercial people all know—since that time the cost of the wages and pay of the crew has been reduced, since August, by about 25 per cent from the former high rate. Now, the cost of fuel oil has been reduced about 53 per cent, and the cost of quartermaster supplies which go in the Army Transport Service has already been reduced, owing to the general fall in prices, so that we can make quite a large reduction in our cost of the transport service. In fact, the total transport service for the Atlantic, Pacific, and Panama is estimated to cost \$4,500,000 for the next fiscal year.

Mr. CHINDBLOM. At the present scale of wages and prices?

Col. DALTON. At the present scale of wages and prices and the fact we will withdraw the troops from Germany and our garrisons will get on a more stable basis.

Mr. BRIGGS. Where did you get these figures upon which you base your estimate of the cost to the Government at commercial rates—where did you get those commercial rates?

Col. DALTON. I took the actual number of passengers and the whole amount of the cargo, and got the rate from the commercial concerns.

Mr. BRIGGS. What commercial concerns?

Col. DALTON. On the Pacific. It was obtained by our transportation office there for this purpose.

Mr. BRIGGS. What commercial concerns?

Col. DALTON. The various shipping concerns and shipping agencies; I do not remember the names.

Mr. CHINDBLOM. Do you remember what average cost per ton you reached on the cargo?

Col. DALTON. We have that calculation on commercial rates here which run, from San Francisco to Honolulu, \$7, and from San Francisco to Manila, \$23. That is the average rate on the character of the cargo we carried, and we have all the details here of the various rates. From San Francisco to Manila, a first-class passage is \$375; second class, \$250; third class, \$100.

Mr. EDMONDS. What overhead did you include in that account, Colonel?

Col. DALTON. We have added 8.75 per cent for overhead, which we found to be the cost; and on the Panama service we have added 4.5 per cent for overhead as the share of the expense for the Panama service. And then we have taken about 5 per cent for the European service—for the total Atlantic service.

Mr. EDMONDS. Have you charged up terminals?

Col. DALTON. For the terminal cost we have only charged actual shore operating expense.

Mr. EDMONDS. You did not charge any terminal cost in there?

Col. DALTON. All expenses of terminal cost.

Gen. DOWNEY. Our terminals are storehouses right on the wharves themselves.

Mr. EDMONDS. Yes; I know. You have a storehouse at San Francisco.

Col. DALTON. The piers represent a permanent investment, of course, by the Government, and in Brooklyn we only have one pier; we have abandoned all the rest. The registration graves service has a pier until the 15th of November, when I think it will be entirely abandoned, and then we will only have the one pier in Brooklyn operated for the Transport Service. In San Francisco we have four piers connected with the Army base. All of those piers serve Army boats; they serve the mine planters; and supplies are not being used strictly for the Transport Service.

Mr. EDMONDS. The Pacific Mail, in their liners, are carrying our freights, and there is no reason why other liners should not have just as much right to carry our freight as the Pacific Mail; there is no reason why the Pacific Mail should carry our freight more than any other line.

Mr. CAMPBELL. What other lines?

Gen. DOWNEY. You have the Admiral Line contract for it.

Mr. EDMONDS. That is in Seattle.

Gen. DOWNEY. I know, but you have contracts for these other lines that all have to come into our piers to get the material, all of our cargo, and then go back to their pier.

Mr. GALLAGHER. We do that on commercial freight now.

Gen. DOWNEY. I can not see how they can possibly take the prices and what they will pay for the enlisted man—nothing but the cost of rationing—and the officer and his family does not pay anything for his cabin; they pay nothing but for their food.

Now, they have tried it once or twice before. The officer and his family goes to the tail end of the ship, and the enlisted man goes to the tail end of what is left.

Mr. EDMONDS. Will you put those reports in the hearings?

Col. DALTON. I will have copies of all of these filed for the record. This is the only copy we have now. It was hurriedly prepared, and I should like to submit a copy of it.

Mr. EDMONDS. You will submit a copy of it to the stenographer and let us print it along with the hearing?

Col. DALTON. Yes, sir.

Mr. EDMONDS. Is there anything else, General?

Gen. DOWNEY. Nothing else, unless you have some questions.

Mr. EDMONDS. I am going to put in the hearings, with the permission of the committee, an analysis of the report made to us by Gen. Conner, was it not?

Gen. DOWNEY. Yes, sir.

Mr. EDMONDS. An analysis I prepared at the request of Mr. Lasker and sent to him, and I have no doubt is what raised your question.

Gen. DOWNEY. Mr. Lasker and several of his men have been up to our office and we have given them complete access to all of our figures.

Mr. EDMONDS. Of course, I took your figures as submitted, and I want to say to the committee it does not look good. They had operating 9 ships for the period covered, up to May 31. They had 10 laid up. The original cost was \$46,679,000; present value, \$42,000,000; annual depreciation, \$1,653,650. That is from their own figures. The interest on present value, at 6 per cent, is \$2,556,209, and the insurance on present value at $5\frac{1}{2}$ per cent is \$2,343,192. For 325 days of operation, the owned vessels made 26 voyages; 11 voyages, New York to Panama, stopping at between ports; 3 voyages, New York to San Francisco, Manila, Japan, and return to San Francisco; 6 voyages, New York to Europe and return to New York; 5 voyages, San Francisco to Asia to San Francisco, and 1 voyage San Francisco to Honolulu to San Francisco. The cost of vessel operation was \$2,659,928; overhead—this is only for period of voyage, the balance of the cost not being given in the report—is \$227,920, or a total of \$2,887,848 as the cost of operation. The approximate cost of the fleet, depreciation, interest, and insurance, for 325 days, is \$5,818,865.

You had to take the whole fleet in, because the cost of depreciation is going on just the same.

Col. DALTON. I have given the insurance cost you had in your letter and made it as near like your statement as I could.

Mr. EDMONDS. I am only giving this as a comparison. For the amount of work done, 26 voyages, the commercial tariff would have been \$2,995,333; extra work claimed in report, \$404,998. The total cost by commercial lines for work of 26 voyages is \$3,400,331. The total cost to the Government for operation of fleet in the 26 voyages is \$8,706,713; commercial cost, \$3,400,331. The cost for Government to perform over private cost is \$5,306,382, without the additional overhead spoken of. No mention is made of wharf, dockage, or

stevedoring expenses or other overhead. Taking their own statement as to piers used at eight different places, they said they had two-fifths of this pier and one-third of that pier, etc. And taking the care of the fleet and taking into consideration all of the side issues that may occur in the use of these properties, \$1,000,000 would not be too little to add to the cost of operating and storing the vessels of the fleet, thus making the complete loss \$6,306,382 over the commercial cost for the same service.

That is the operation of the fleet. Of course, the question of the advisability of having a fleet for war purposes is another thing about which we want to learn.

Gen. DOWNEY. We give you different costs from that; but as to terminals, the terminals are warehouses.

Mr. EDMONDS. That is not true of Hoboken.

Gen. DOWNEY. We have but one pier at Hoboken.

Mr. EDMONDS. You said you had two-fifths of a pier there; that is what you said in your statement—you said you were using two-fifths of the pier.

Gen. DOWNEY. We are only using one pier now.

Mr. EDMONDS. Then you said you used one-third of the Brooklyn piers. I do not know whether that is true or not.

Gen. DOWNEY. No; only Pier 4 now, and we expect to give that up.

Mr. EDMONDS. And at Port Newark you are using all the pier.

Gen. DOWNEY. We are using that at Port Newark.

Mr. EDMONDS. That is a warehouse?

Gen. DOWNEY. That is a warehouse.

Mr. EDMONDS. Then at Norfolk, you have a pier there which you use jointly with the commercial interests, and at Charleston and New Orleans you use the piers very slightly. In Boston you use the pier jointly with the commercial interests. I just simply divide them into the proportions as you gave there and have tried to figure out how much of the piers, this \$150,000,000 worth of piers, you use, and I concluded you used \$57,000,000 worth. Of course, that is war cost; I acknowledge that.

Gen. DOWNEY. That is war cost, the most extreme cost you can get; but besides those costs we can not figure on it at all. They are to be given either to us or be given to the Shipping Board; the Government owns them, whichever way you fix it.

Mr. EDMONDS. Oh, yes. The only thing is they would be used probably more profitably and bring in more, because to use all of this property for 26 voyages is not enough; and the States should not have to build great piers and all that kind of thing where we have piers available.

Gen. DOWNEY. I know you are giving the piers away.

Mr. EDMONDS. Oh, I know. You did that in Philadelphia to us, very kindly, and we are using them.

Gen. DOWNEY. We have given five away to the Shipping Board at Hoboken, and we gave them the sixth the other day. Unfortunately the fifth and sixth burned down right after they were given to them.

Mr. CHINDBLOM. You mean you made them presents of them?

Gen. DOWNEY. Yes, sir.

Mr. CHINDBLOM. You have not anything to give to Chicago, have you?

Gen. DOWNEY. I want to tell you that everything we have given to the Shipping Board they have not paid one cent for.

Mr. EDMONDS. Under the Jones bill it was not supposed to. The only thing they were to do was to utilize them.

Gen. DOWNEY. They are doing very well, I suppose; they are getting them.

Mr. EDMONDS. They do in New York.

Gen. DOWNEY. Yes; they have hundreds of ships tied up that are doing nothing.

Mr. EDMONDS. They get more than 26 voyages, however, out of these piers.

Gen. DOWNEY. I venture to say we can show you they are not getting one-tenth of that out of the majority of the ships.

Mr. EDMONDS. No; I am not saying that. They are getting 26 voyages out of the Hoboken pier; 26 ships leave there a year.

Gen. DOWNEY. Out of the Hoboken pier?

Mr. EDMONDS. Yes.

Gen. DOWNEY. We handle but one pier in Hoboken.

Mr. EDMONDS. The Shipping Board is making 26 voyages out of Hoboken a year.

Gen. DOWNEY. The Hoboken pier was leased by the Shipping Board to two of the lines—two of their piers.

Mr. EDMONDS. Are they being used?

Gen. DOWNEY. Yes; they are being used, but we are not responsible for that; neither is the Shipping Board.

Col. DALTON. I should like to make a statement about this, I think, in defense of the Army Transport Service. Those piers—I was general superintendent in New York in 1917 and 1918 and I know all the piers—those piers have all been surrendered, and that analysis does not represent the condition which is going to confront the Army Transport Service in the future at a time when it is proposed to give up and turn over to commercial concerns this transport work. We might just as well go back to any other past war period as to the cost of operation of the War Department. Those figures as submitted were true, but do not represent the present condition. To-day all piers belonging to the Army have been surrendered, except one pier at Brooklyn which feeds the Army base, takes care of the local harbor transport service and of the local mine planters. The four piers at San Francisco, the Army estimates, are not part of the Army Transport Service, never were, and never should have been calculated as a part of it. All of the Hoboken piers have been turned over, and are lost or are being lost, one being burned out and the other not being worth anything. We hold only one pier, and the only good pier, and it will be released the 15th of November. I make the statement so that the committee will not be deceived that unless you get all the estimates, with all due respect to Mr. Edmonds—

Mr. EDMONDS. I am going to put Secretary Week's letter in as an answer to it.

Mr. CHINDBLOM. Those four piers in San Francisco are part of the base there?

Col. DALTON. They are part of the Army base. I prepared this letter, which is a study of the analysis and also of the data submitted at the last hearing—a study of the analysis made by Mr.

Edmonds, and as he has carefully read his I would like the privilege of reading it to the committee, because I think it will clear up some matters on which the committee may be in doubt:

MY DEAR CONGRESSMAN: I desire to acknowledge receipt of your letter of October 5, 1921, with reference to hearings to be held on the bill H. R. 5348, also to your analysis of the operating cost of the Army Transport Service attached to your letter of August 25, 1921.

It is observed that the statement of operating costs referred to above is based on 9 vessels in operation and 10 vessels laid up. The 10 vessels laid up—first: Hog Island vessels, *Aisne*, *Argonne*, *Chateau Thierry*, *Chaumont*, *Marne*, *Tours*, and *Ourcq*. Second, *Northern Pacific*, *Great Northern*, and *Sheridan*.

The vessels of the first group were ordered during the war for transportation of troops and cargo to France. They were not completed until after the armistice, too late for use by the War Department, but were forced on the War Department in view of the original order. These vessels have never been in active service, and repeated efforts have been made to dispose of them. They belong to the cost of carrying on the war and should not be charged to Army Transport Service operations at this time, particularly as the purpose of this statement is to develop the cost of the Army Transport Service under normal peace conditions.

Of the second group the *Great Northern* was assigned to the Navy Department by Executive order on July 29, 1921. The *Northern Pacific* and *Sheridan* may also be considered as an outcome of the war, as not representing a normal condition. Plans have been made to dispose of these two vessels.

The 10 vessels laid up should, therefore, be eliminated from the cost of operation at the present time.

They should be eliminated and should not be charged to the Army Transport Service.

Mr. BRIGGS. You mean the Hog Island boats?

Col. DALTON. They were bought and forced upon the Army because they were originally ordered for them. The attempt to use those vessels of an aggregated cost of \$29,000,000, with interest, insurance, and depreciation going on, and to charge them up to the cost of operation of the Transport Service and then to attempt to compare the cost of that operation of that Transport Service with that of an active line is unfair.

Mr. EDMONDS. That is what an active line is doing to-day, and most of them have half of their ships tied up. They have to carry the fleet.

Col. DALTON. That is the fleet of the line and not something they were forced by the Government to take and tie up, as the Army Transport Service has been forced by another department of the Government to take and tie up.

Now, the active Army transport vessels, which agree with the statements, have an original cost of \$16,936,816, and a present value of \$14,374,202. That changes the figures from those given by Mr. Edmonds from something like \$46,000,000 to \$16,000,000, or more than \$30,000,000 worth of dead property that we are not chargeable for. And I might state here it is no more fair to charge the operation of active Army Transport Service now with that dead material, laying up, than it would be to charge the active ship lines with the total cost of depreciation, and so forth, of all the vessels the Shipping Board has laid up. Their inclusion in the cost of actual operation of the vessels would be absolutely unfair. That is one of the contentions I want to make clear to the committee.

Mr. CHINDBLOM. You are not asking for the use of those ships or in substitution of these ships?

Col. DALTON. We have not. We do not want the ships.

Gen. DOWNEY. We do not want the ships. All we have asked the Shipping Board for is to give us six ships to take the place of the *Thomas*, the *Logan*, the *Sherman*, and some eight or nine of these Hog Island ships—take all of those ships and give us six other ships. That is all we have asked for.

Mr. EDMONDS. What will the Shipping Board do with them?

Gen. DOWNEY. About the same thing they are doing with the rest of their vessels.

Mr. CAMPBELL. Why do you want to return the Hog Island ships?

Gen. DOWNEY. Because they were originally built for freighters, and on their decks they are covered with freight machinery. They were built for freighters originally, and they are single screws and are not fit for the Pacific service.

Mr. EDMONDS. The deck plans and the balance of the plans of those ships were corrected by your department right here in Washington before they were finished and completed, and if they are covered by machinery of that kind it is the fault of your department.

Gen. DOWNEY. It is not the fault of our department, because we did not build the ships.

Mr. EDMONDS. It must be the fault of your department, because Mr. Bush told me himself—the president of the American International Co.—that the War Department changed the plans itself and they did not.

Gen. DOWNEY. The only thing we changed on them was to go up there and fix the turbine, and they did that at their own expense.

Mr. EDMONDS. Did not you make some changes in the cabin arrangement?

Gen. DOWNEY. No, sir.

Mr. EDMONDS. You did not make any change in the cabin arrangement?

Gen. DOWNEY. No, sir. If we are going to use any of them we ought to make changes in their decks.

Mr. EDMONDS. You ought to have made the changes while they were building.

Gen. DOWNEY. They did not turn them over to us in time for us to make changes; and, besides, we do not want them, never did want them, and they are forcing on us something we do not want and never did want. A single-screw ship on the Pacific has a great many things to contend with.

Mr. EDMONDS. Can not you use the *Northern Pacific* and the *Great Northern* in this service?

Gen. DOWNEY. No, sir; because they cost too much money and are too fast.

Mr. EDMONDS. The others are too slow and these are too fast?

Gen. DOWNEY. No, sir. We do not use anything like the fuel the *Northern Pacific* does.

Mr. CAMPBELL. Do you advise selling the *Great Northern* and the *Northern Pacific*?

Gen. DOWNEY. Yes, sir; we advise selling them if they can. I advise by all means the selling of the *Northern Pacific*; she is no good to us.

Mr. CAMPBELL. We can bring you buyers to-morrow.

Gen. DOWNEY. Yes; I have had a number of buyers call on me.

Mr. EDMONDS. They do not want to pay the price?

Gen. DOWNEY. They do not want to pay the price; that is it. Buyers are plenty; the Shipping Board has buyers galore, but they won't give \$100 for a ship costing \$500 or \$600.

Mr. GALLAGHER. What would you consider a reasonable figure for the *Northern Pacific*?

Gen. DOWNEY. I am not figuring it.

Mr. DUFF. Will you consider an offer now, General, for that boat?

Gen. DOWNEY. No, sir; I will not. Besides, that vessel can not be sold without the permission of Congress; the *Northern Pacific* can not be sold without the permission of Congress any more than when we had to get permission from Congress to sell the *Thomas*, *Logan*, *Sherman*, *Sheridan*, and five or six other boats.

Col. DALTON. Going further with this analysis, Mr. Edmonds read, and taking the active United States Army transport, I have calculated the fixed annual charge on the original investment at 13.26 per cent, on which I have allowed annual depreciation, 3.5 per cent; annual interest on present value, 6 per cent; and annual insurance, $5\frac{1}{2}$ per cent; taking Mr. Edmonds's own figures instead of taking the fixed charge as he had, there should be a fixed annual charge on the investment of \$2,245,522; in fact, about one-third.

Mr. EDMONDS. Let me ask you a question there: How did you get that 13.26?

Col. DALTON. 13.26 you will find to be the percentage of the original cost of \$16,000,000, or \$936,816.

Mr. EDMONDS. How is that made up?

Col. DALTON. That is made up on an annual depreciation, the annual interest, and annual insurance.

Mr. EDMONDS. That is, together they make 15 per cent?

Col. DALTON. Well, you will find it is 13.26 per cent. It is not figured the same. Your annual interest is figured on \$16,000,000 on your original investment.

Mr. EDMONDS. I see; you have averaged it down afterwards.

Col. DALTON. Your annual insurance is figured upon your present value; so that brings it down to 13.26 per cent of the original cost. That is the highest possible annual fixed charge you can put against the original investment in the active Army transport fleet, and it was something over \$6,000,000, I believe, that Mr. Edmonds quoted.

Now, again, going a little further—the next I will not read.

Mr. EDMONDS. I am going to put this letter in, anyhow.

Col. DALTON. I think the fixed annual charge to the Government against original investment in the active vessels, which is a repetition of the other, deducting insurance—the active vessels are actually costing the Government to-day only depreciation and interest on investment, leaving a net annual cost of \$1,455,241, which you may consider a net annual loss per year. Now, the maximum cost chargeable to the War Department for the period covered by the statement, is for the total active transport fleet vessel operation; the overhead for voyage period, 8.57 per cent; and the depreciation, 3.5 per cent; and interest on cost, 6 per cent; which, for 325 days, totals \$4,183,774.

Mr. EDMONDS. That is the maximum cost chargeable to the Government?

Col. DALTON. That is the maximum cost chargeable to the Government. Now, the actual cost to the Government under War Department operations of transport service under these tables, with vessel operation overhead, 8.57 per cent, and depreciation, 3.5 per cent, brings the total to \$3,415,738 for 325 days. Now, the actual cost to the Government—

Gen. DOWNEY. That takes in the Atlantic and Pacific, and we run a transport to Panama and back.

Col. DALTON. The actual cost to the Government under Shipping Board operation of transport service—vessels allocated to commercial companies. I wish to state here that the manager of the Shipping Board told me himself that his plan was, if they obtained the Army Transport Service, to put certain vessels on the Pacific; that they were not interested in the Atlantic and Panama; and they were going to let them out on the M. O. 4 agreement, under which all expenses would be paid by the Shipping Board and a certain percentage paid to the company for operating them and doing our work. I mention that because it is in my analysis here of the cost to the Government under that arrangement. And based only on the expense to the Government, against that for which we could get commercial service done for the same period at the present rates—the prevailing rates at the time this report was submitted—the tariff cost of the scheduled service, the actual cost to the Government under Shipping Board operation of the Transport Service would be \$2,995,333. The tariff cost for the extra service rendered to the Government, for which no charge is made for carrying officials, officers, and cargoes, for which we are only paid the actual cost of subsistence—the actual cost and not the tariff cost was \$404,998. Depreciation at 3½ per cent was \$527,890. That gives a total of \$3,928,221. Now, deducting the extra service not chargeable to the Government, because I wish to explain that this commercial company would not give this \$404,000 service to the families of officers and Members of Congress and the several departments of the civil Government, all of which is given by the Transport Service free, or only at the cost of actual subsistence—they would not carry these people back and forth unless they were paid the full tariff rate, the regular prevailing rate on the Pacific coast, and which amounts to \$404,998, for which we take no credit, the balance in favor of the Transport Service under the two methods of operation figures—\$107,495—as against the actual commercial rate.

I have submitted that analysis in detail for the committee; and if you have the time, I should like to proceed, because I feel we ought to present our case fully.

Mr. EDMONDS. I just want to call attention to the fact that if the maximum cost included depreciation and interest you would show a loss of \$600,000; and if you take the figures furnished in June of \$3,000,000, in round numbers, for the commercial work, why, you would have a loss of \$100,000. That would be a fair estimate of it.

Mr. CHINDBLOM. As I understand it, Congressman Edmonds, you are going to put the letter in the record?

Mr. EDMONDS. I am going to put the letter in the record. Of course, their balance in favor of the Transport Service is \$107,000 over actual cost, without including depreciation and interest, which you have to take into consideration.

Mr. BRIGGS. You speak about the Army Transport Service, if taken over, would be operated by the Shipping Board under the M. O. 4 agreement, and your figures were based, in some part, upon that period cost.

Col. DALTON. I put the cost to the Government—that is, to the War Department—which we had to meet from our appropriation, based on the fact we have to pay this company the prevailing commercial rate for the traffic.

Mr. BRIGGS. You mentioned just now about the Shipping Board taking over this service and the conversation you had about operating under the M. O. 4 agreement?

Col. DALTON. The present plan of the Shipping Board, if the Transport Service is abandoned and turned over to the Shipping Board, is to take the vessels and allocate them to commercial lines, which will operate them along the same routes, practically, as the Army Transport Service, to meet our requirements, from San Francisco to Honolulu, Nagasaki, Shanghai, and Manila, and that line will do all the transport service and, in addition, a certain amount of commercial service. All the expenses of that kind are to be paid by the Shipping Board under the M. O. 4 agreement.

Mr. BRIGGS. How do you know they are going to operate them under the M. O. 4 agreement?

Col. DALTON. I will state what Mr. Frey told me the present plan was.

Mr. BRIGGS. When was that?

Col. DALTON. About three or four days ago.

Gen. DOWNEY. The Pacific Mail made that statement—that the Shipping Board would pay all the expenses, I think—did you not?

Mr. GALLAGHER. Oh, yes; or, rather, the Government pays it.

Col. DALTON. And I also wish to make it clear that all of these figures which we have now have been submitted to the Shipping Board representatives, and they have been gone over by their statistical department, and we are now working together conjointly and attempting to come to an understanding as to exactly what item should be included and what should not; and the Shipping Board people so far have taken no exception to any of the data in these sheets, which we submit as a new table, and not the old one, for the information of the committee.

Mr. MARVIN. I would like to ask one question for information that I had put several times to the War Department but never succeeded in getting even the semblance of an answer: Why is it that the United States is the only nation in the world with overseas possessions and overseas garrisons that maintains at public expense a Government owned and operated transport service? I have known American fighting men—I was one of them once—and I have known the British fighting men, and it has never occurred to me that as compared with the British overseas fighting man the American fighting man is very much of a hothouse lily.

Gen. DOWNEY. Because the English Government maintains a transport service very much larger than ours on the bare-boat charter basis, and requires that those boats be especially made as transports.

Mr. MARVIN. I brought to the attention of the committee this morning the fact that the British Government was just chartering two of the large trans-Atlantic steamers under the British flag.

Gen. DOWNEY. Yes, sir.

Mr. MARVIN. And was making changes in them, exactly as an American company would make them, for the transportation of troops to India. I can see no reason, and never could get the information from the War Department, why the American can not do what the British shipowner does.

Gen. DOWNEY. When you get ready to make your ships handle our troops in the proper way, as you have them handled on the transport, then there is no reason why we should keep the ships.

Mr. MARVIN. We already now—we have now a merchant marine with plenty of ships.

Gen. DOWNEY. Ah, but you won't make your ships as suitable, because when you make your merchant ships like we have our transports you won't be able to carry enough freight to make them pay.

Mr. MARVIN. How do the British do it?

Gen. DOWNEY. The British do it in another way entirely.

Col. DALTON. They subsidize the transport service.

Gen. DOWNEY. There are a lot of things you have to learn from the British.

Mr. MARVIN. We can learn them quickly.

Gen. DOWNEY. I hope so.

Mr. MARVIN. There is nothing being done to the British liner that we can not have done to the American liner for the service of the United States.

Gen. DOWNEY. I agree with you there.

Mr. MARVIN. Well, give us a chance, General; just give us a chance.

(The analyses submitted by Mr. Edmonds and Gen. Downey are as follows:)

Analysis of operating cost of Government transports from reports furnished Merchant Marine and Fisheries Committee by departments.

Operating	9
Laid up	10
Total	19
Original cost	\$46, 679, 960
Present value	42, 603, 469
Annual depreciation	1, 635, 650
Interest on present value, at 6 per cent	2, 556, 209
Insurance on present value, at 5½ per cent	2, 343, 192

Three hundred and twenty-five days of operation.

Owned vessels made 26 voyages. Eleven voyages, New York to Panama, stopping at between ports; three voyages, New York to San Francisco, Manila, Japan, return to San Francisco; six voyages, New York to Europe and return to New York; five voyages, San Francisco, Asia, to San Francisco; one voyage, San Francisco to Honolulu to San Francisco—26 voyages.

Cost of vessel operation	\$2, 659, 928
Overhead ¹ (this is only for period of voyage, balance of cost not given in report)	227, 920
	2, 887, 848
Approximate cost of fleet—depreciation, interest, and insurance, 325 days	5, 818, 865
	8, 706, 713

¹ Regular prices.

Depreciation is made on a very low estimate of 3½ per cent, which will allow virtually no charge for repairs, it would be fair to estimate that some repair could be assumed by insurance fund if insurance fund is carried by Government.

Commercial tariff for same work, 26 voyages.....	\$2, 995, 333
Extra work claimed in report.....	404, 998
	3, 400, 331
Total cost by commercial lines for work of 26 voyages.....	3, 400, 331
Total cost to Government operation of fleet in the 26 voyages.....	8, 706, 713
Commercial cost.....	3, 400, 331
	5, 306, 382
Cost for Government to perform over private cost.....	5, 306, 382
Without additional overhead spoken of. ¹	

Wharf property occupied and value.

Boston, jointly by Army and commercial interests.....	24, 787, 000
Brooklyn, N. Y., about one-third by Army.....	32, 000, 000
Port Newark, all Army.....	11, 813, 000
Norfolk, jointly by Army and commercial interests.....	29, 250, 000
Charleston, very slightly by Army.....	15, 000, 000
New Orleans, very slightly by Army.....	12, 700, 000
Hoboken, about two-fifths by Army.....	14, 333, 000
San Francisco, all Army.....	488, 502

In round figures \$57,000,000 worth of wharf and terminal properties are employed to make the above 26 voyages and to care for the fleet. Taking into consideration all side issues that may occur in the use of these properties, \$1,000,000 would not be too little to add to the cost of operating and storing the vessels of the fleet, thus making the complete loss \$6,306,382 over commercial cost of same service.

G. W. EDMONDS.

HON. GEORGE W. EDMONDS,

House of Representatives, Washington, D. C.

MY DEAR CONGRESSMAN: I desire to acknowledge receipt of your letter of October 5, 1921, with reference to hearings to be held on the bill H. R. 5348; also to your analysis of the operating cost of the Army Transport Service attached to your letter of August 25, 1921.

It is observed that the statement of operating costs referred to above is based on 9 vessels in operation and 10 vessels laid up. The 10 vessels laid up may be divided into two groups: First, Hog Island vessels *Aisne, Argonne, Chateau-Thierry, Chaumont, Marne, Tours, and Ourcq*. Second, *Northern Pacific, Great Northern, and Sheridan*.

The vessels of the first group were ordered during the war for transportation of troops and cargo to France. They were not completed until after the armistice, too late for use by the War Department, but were forced on the War Department in view of the original order. These vessels have never been in active service, and repeated efforts have been made to dispose of them. They belong to the cost of carrying on the war, and should not be charged to Army Transport Service operations at this time, particularly as the purpose of this statement is to develop the cost of the Army Transport Service under normal peace conditions.

Of the second group, the *Great Northern* was assigned to the Navy Department by Executive order on July 29, 1921. The *Northern Pacific* and *Sheridan* may also be considered as an outcome of the war, as not representing a normal condition. Plans have been made to dispose of these two vessels.

The 10 vessels laid up should, therefore, be eliminated from the cost of operation at the present time. An analysis of the cost of operation of the 9 vessels which compose the active transport fleet and using data in Table II shows the following:

¹ No mention is made of wharf dockage or stevedoring expenses or other overhead.

(A) Inactive United States Army transport vessels:	
Hog Island vessels, <i>Aisne, Argonne, Chateau Thierry, Chaumont, Marne, Tours, Ourcq</i> —	
Original cost.....	\$24,818,178.00
Present value.....	23,949,541.00
<i>Great Northern, Northern Pacific</i> —	
Original cost.....	4,263,966.00
Present value.....	4,114,726.00
<i>Sheridan</i> —	
Original cost.....	660,000.00
Present value.....	165,000.00
Total—	
Original cost.....	29,742,144.00
Present value.....	28,229,267.00
(B) Active United States transport vessels:	
Hog Island vessels, <i>Somme, Cambrai, St. Mihiel, Cantigny</i> —	
Original cost.....	14,181,816.00
Present value.....	13,685,452.00
<i>Logan, Thomas, Sherman</i> —	
Original cost.....	1,980,000.00
Present value.....	495,000.00
<i>Buford</i> —	
Original cost.....	350,000.00
Present value.....	87,500.00
<i>Dix</i> —	
Original cost.....	425,000.00
Present value.....	106,250.00
Total—	
Original cost.....	16,936,816.00
Present value.....	14,374,202.00
Fixed annual charge on original investment, 13.26 per cent.	
Annual depreciation (3½ per cent).....	\$592,788.00
Annual interest on present value (6 per cent).....	862,453.00
Annual insurance (5½ per cent).....	790,581.00
	2,245,522.00
(C) Fixed annual charge to Government against original investment—active vessels:	
Annual depreciation (3½ per cent).....	\$592,788.00
Annual interest on present value (6 per cent).....	862,453.00
Annual insurance (5½ per cent).....	790,581.00
	2,245,522.00
Total, 13.26 per cent of cost.....	2,245,522.00
Less insurance not paid by Government.....	790,581.00
	1,455,241.00
(D) Maximum cost chargeable to War Department for period covered by statement, 325 days, active vessels:	
Vessel operation (three).....	2,659,928.00
Overhead for voyage period, 8.57 per cent (seven).....	227,920.00
	2,887,848.00
Depreciation, 3.5 per cent (five).....	527,890.00
Interest on cost, 6 per cent (four).....	767,936.00
	4,183,774.00
(E) Actual cost to the Government under War Department operation of transport service:	
Vessel operation (three).....	2,659,928.00
Overhead, 8.57 per cent (seven).....	227,920.00
Depreciation of 3½ per cent (five).....	527,890.00
	3,415,738.00

(F) Actual cost to the Government under Shipping Board operation of transport service—Vessels allocated to commercial companies:

Tariff cost for scheduled service (nine)-----	\$2,995,333.00	
Tariff cost for extra service-----	404,998.00	
Depreciation of 3½ per cent-----	527,890.00	
		\$3,928,221.00
Deduct extra service not chargeable to Government-----		404,998.00
		<hr/>
Net cost-----		3,523,223.00
Balance in favor transport service-----		107,495.00

With reference to the item of depreciation, commercial companies usually charge off 5 per cent per annum for depreciation, giving a vessel a life of 20 years. Army transports are maintained in condition for service under military conditions at all times. Under the Army transport system of upkeep and maintenance, 3½ per cent has been found a proper ratio of depreciation. This is supported by the present condition and expected future life of the older class of transports which have already been over 20 years in the service. The depreciation on vessels laid up, subject to close inspection and maintenance, is but a slight percentage of the depreciation which should be charged against vessels in full operation, and the charge of 3½ per cent against the vessels laid up, as shown in your analysis under item head "Annual depreciation, \$1,635,650" is contrary to commercial practice.

Insurance is a charge which should not be included in the cost of operation of Army transports, as there is no expense to the War Department under this item. Should it be desired to set up a constructive insurance charge, the Army Transport Service must receive credit for 22 years' operation of its vessels without a single loss.

Interest on the present valuation of vessels is a proper charge against Army Transport Service only in computing comparative cost of War Department and privately owned commercial vessels. Vessels of War Department ownership are on the same basis as the Shipping Board vessels, with which the transport vessels would probably be replaced under proposal in H. R. 5348. When commercial transportation is utilized, a proportionate amount of such charge is absorbed in the commercial rate.

The wharf property occupied is in a great measure a war hang over. To compute the cost of carrying on the Atlantic and Pacific fleet operations, one pier at South Brooklyn and the piers at San Francisco only should be included. The one pier at Brooklyn and those at San Francisco could not be given over to commercial carriers, as these piers lie at two of the largest Army supply bases in the United States. Commercial vessels carrying Government supplies would only go to these piers to load or discharge Government cargo. These piers are also used in connection with harbor activities, such as the transportation of passengers and supplies to and from local military bases; also in the care and maintenance of Coast Artillery vessels, such as mine planters, etc. At San Francisco the supply base warehouses located at the docks are used for storage and transportation of supplies for both overseas garrisons and military posts in the Pacific coast area and in the western part of the United States. The quartermaster personnel stationed there, which directs transport operations, would remain unchanged even if commercial ships were used instead of transports. This condition also exists at the Brooklyn base. The overhead cost will therefore remain practically the same irrespective of whether overseas transportation is performed by Army transports or by commercial carriers.

At San Francisco commercial vessels would incur a large expense for trucking supplies from the Army base to commercial docks a distance of approximately 2 miles. The present contract for trucking is as follows:

Between points in San Francisco (includes commercial docks) and Fort

Mason:

Packages weighing under 4 tons-----	per ton--	\$2.00
Packages weighing under 10 tons-----	do----	3.00
Packages weighing under 15 tons-----	do----	4.00
Packages weighing under 20 tons-----	do----	5.00
Packages weighing under 25 tons-----	do----	5.50

A study of the conditions at San Francisco and at Brooklyn under which Army Transport Service must be carried on, and of the cost of operation as

previously submitted, appears to prove conclusively that the Army Transport Service when freed from its war incumbrances can be operated more economically and efficiently by the War Department.

Aside from the mere question of cost, the retention of the Transport Service as an integral part of the country's Military Establishment is as apparent to those conversant with our military requirements under normal peace conditions as any other arm or service of the War Department.

Sincerely, yours,

JOHN W. WEEKS,
Secretary of War.

WAR DEPARTMENT,
OFFICE OF THE QUARTERMASTER GENERAL OF THE ARMY,
Washington, October 24, 1921.

CHAIRMAN COMMITTEE ON MERCHANT MARINE AND FISHERIES,
House of Representatives, Washington, D. C.

DEAR SIR: With reference to the hearing on October 19, 1921, on H. R. 5348, a bill concerning the future of the Army transport service, I am inclosing, in duplicate, photostat copies of three statements showing detailed expenses of the Army transport service for the period from January 1 to June 30, 1921.

I am also inclosing two blue print copies entitled "Schedule—Passenger and cargo rates, etc.," prepared by the United States Shipping Board, with addenda from this office thereon. These statements were quoted and referred to in my testimony and are submitted as a part thereof to be included in the records of the hearing.

Attention is invited particularly to the total cost of the service at Army transport rates as compared to the cost at commercial rates, shown on inclosure D, as follows:

Total cost at Army transport rates.....	\$1,755,967.85
Total cost at Army commercial rates.....	3,894,578.48

This shows a saving to the Government in favor of the transport service of \$2,138,619.63 for the period. It will be noted that this office in computing the cost of the transport service has exceeded the Shipping Board computation of the same cost by \$33,760.86.

The computations by the Shipping Board were made independently of this office. All records and data, including detailed voyage reports, were turned over to the board's statistical department, and no exception to our methods of keeping or computing costs have so far been made by its officials.

The inclosures are marked as follows:

Cost of operation, Atlantic service, A.

Cost of operation, Pacific service, B.

Cost of operation of service between New York and Panama, which is included in inclosure marked "A," C.

Schedule—Passenger and cargo rates, etc., D.

Very truly, yours,

G. F. DOWNEY,
Brigadier General, Quartermaster Corps.

TABLE A.—United States Army Transport Service—Cost of operation, Atlantic Service, Jan. 1 to June 30, 1921.

Transport.	Voyage.		Fuel.		Water.		Oil.		Quartermaster supplies.	Subsistence.	Laundry.	Trip repairs.	Pilotage.
	From—	To—	Oil.	Value.	Tons.	Value.	Gallons.	Value.					
Somme.....	Jan. 12	Feb. 8		\$22,585.00	1,836	\$239.00	300	\$194.00	\$1,450.00	\$9,104.12	\$388.08	\$850.00	\$495.00
Do.....	Feb. 9	Mar. 19	5,019	34,527.50	1,280	313.20	15,876	1,954.54	3,839.40	12,387.18	752.01	11,254.66	957.27
Do.....	Mar. 20	May 10	9,768	23,540.88	1,159	463.60	425	85.00	4,075.56	12,274.18	567.73	3,975.00	815.52
Do.....	May 11	June 30	7,492	18,077.72	1,730	160.60	171	107.02	3,830.50	6,723.40	225.56	949.53	751.88
Santa Leonora.....	Jan. 16	Feb. 14	5,607	25,204.50	1,161	483.30	418	217.36	1,200.00	10,304.64	621.14	750.00	369.10
Do.....	Feb. 15	Mar. 21	6,055	13,623.75	1,400	160.00	403	209.36	1,541.77	4,630.17	288.99	68.02	567.17
Do.....	Jan. 29	Mar. 7	6,651	24,475.68	2,208	509.90	785	406.20	538.43	9,018.85	578.43	850.00	280.92
St. Mihiel.....	Do.....	Apr. 8	5,488	20,140.86	2,949	687.90	839	436.28	823.50	10,064.22	714.52	850.00	383.68
Do.....	Mar. 8	Apr. 7	5,435	8,869.55	1,924	446.10	813	497.38	2,128.84	11,116.45	861.05	850.00	383.14
Do.....	Apr. 12	May 6	5,306	10,134.46	1,466	283.20	655	406.10	3,430.89	8,536.17	632.89	548.01	367.02
Do.....	May 8	June 30	6,606	12,355.86	1,415	117.00	205	87.80	3,982.74	6,740.24	406.26	850.00	276.58
Cantigny.....	June 1	June 6	11,444	37,847.60	1,814	453.36	162	105.62	2,879.76	8,213.94	302.19	15,525.53	828.62
Cambray.....	Jan. 12	Apr. 11	8,771	17,980.55	1,238	240.00	125	81.25	1,682.50	15,785.00	565.49	12,617.37	732.85
Do.....	Apr. 8	June 13	8,848	18,138.40	1,238	259.17	460	298.00	1,845.00	18,615.56	841.91	946.99	820.48
Do.....	Apr. 8	June 13	8,848	18,138.40	1,238	259.17	460	298.00	1,845.00	18,615.56	841.91	946.99	820.48
Do.....	Apr. 8	June 13	8,848	18,138.40	1,238	259.17	460	298.00	1,845.00	18,615.56	841.91	946.99	820.48
Wheaton.....	Feb. 16	May 22	12,541	18,006.12	1,119	191.80	1,404	928.97	4,567.24	5,232.26	137.69	246.17	1,422.14

TRANSPORT SERVICE OF THE GOVERNMENT.

Transport.	Voyage.		Wharf- age.	Towage.	Painting and cleaning.	Salaries and wages.			Stevedor- ing, load- ing and unloading.	Incl- dentals.	Total.	Overhead.	Grand total.
	From—	To—				Officers, United States Army.	Enlisted men.	Ships' off- icers and crew.					
Somme.....	Jan. 12	Feb. 8	\$22.80	\$255.00		\$680.30	\$150.98	\$13,250.13	\$2,974.13	\$1,960.85	\$54,569.39	\$2,728.46	\$57,297.85
Do.....	Feb. 9	Mar. 19				947.22	225.60	15,839.11	6,098.16		92,095.82	4,604.79	96,700.61
Do.....	Mar. 20	May 10		450.16		1,290.55	357.79	28,276.71	4,107.95	71.59	80,352.21	4,017.61	84,369.82
Do.....	May 11	June 30		470.87		940.80	378.90	22,007.89	2,474.46	536.06	57,635.28	2,881.76	60,517.04
Santa Leonora.....	Jan. 16	Feb. 14		50.00	\$198.34	505.56	128.60	10,677.60	5,909.21	34.15	56,989.00	2,816.95	59,785.95
Do.....	Feb. 15	Mar. 21				320.05	99.60	13,876.98	4,369.39	10.80	40,001.43	2,003.07	42,004.50
Do.....	Jan. 29	Mar. 7		289.00	198.47	198.64	274.82	21,020.55	3,318.80	193.76	62,437.75	3,121.89	65,559.64
St. Mihiel.....	Mar. 8	Apr. 8				934.92	588.12	20,786.48	8,047.71	107.24	64,854.33	3,242.72	68,097.05
Do.....	Apr. 12	May 7		222.65	30.71	488.13	191.97	18,661.38	4,416.81	63.84	49,570.00	2,478.50	52,048.50
Do.....	May 8	June 6		205.00		362.80	235.20	18,736.20	2,841.89	47.51	46,966.14	2,348.30	49,314.45
Cantigny.....	June 1	June 30		190.00	50.69	794.35	257.56	15,485.36	2,978.59	854.73	42,743.76	2,137.18	44,880.94
Cambrai.....	Jan. 6	Feb. 11		837.26		753.09	222.00	16,300.00	4,813.72	495.36	89,578.05	4,478.90	94,056.95
Do.....	Feb. 12	Apr. 7		461.24	107.00	1,506.18	480.34	31,043.41	3,864.07	113.00	87,260.25	4,363.01	91,623.26
Do.....	Apr. 8	June 13					371.36	26,152.36	3,850.60	34.00	72,662.31	3,633.11	76,295.43
Wheaton.....	Feb. 16	May 22		1,154.53			116.40	26,589.35	10,674.93	38.19	69,424.86	3,471.24	72,896.10
Total.....											967,150.58	48,357.49	1,015,508.09

¹ Tons of coal.

NOTE.—This report includes cost of both European and Panama service. See Table C for details of Panama service.

TABLE A.—United States Army Transport Service—Cost of operation, Atlantic Service, Jan. 1 to June 30, 1921—Continued.

Name of vessel.	Original cost.	Present value.	Date out of commission.		Expenses out of commission, Jan. 1 to June 30, 1921.	Estimated expenses out of commission, Jan. 1 to Dec. 31, 1921.
			From—	To—		
Wholly inactive vessels, Atlantic service:						
Aisne ¹			Jan. 29, 1921	June 30, 1921	\$46,720.00	\$12,760.20
Marne.....			Jan. 1, 1921	do.	46,720.00	12,760.20
Tours ²			Jan. 6, 1921	do.	46,720.00	12,760.20
Somme ³			Jan. 21, 1921	do.	46,720.00	12,760.20
Cambrai ⁴	\$31,909,086.00	\$30,792,287.00	Aug. 12, 1921	do.		10,633.20
Arsenal ⁵			July 1, 1921	do.		14,369.67
Chateau Thierry.....			Jan. 1, 1921	June 30, 1921	50,917.50	13,163.75
Meuse ⁶			do.	do.	50,917.50	13,163.75
Chateau Thierry.....	2,131,983.00	2,057,393.00	do.	do.	50,917.50	13,163.75
Northam, Pacific.....	350,000.00	125,000.00	do.	do.	68,612.50	14,369.67
Kilpatrick ⁷	400,000.00	35,500.00	do.	Feb. 3, 1921	6,016.29	
Meade ⁸			do.	June 30, 1921	6,387.50	3,100.00
Total.....					418,648.79	132,984.59
Active vessels not constantly in operation, Atlantic service:						
President Grant ⁹			Feb. 28, 1921	Mar. 14, 1921	15,674.81	
Cantigny ⁹			Feb. 5, 1921	May 31, 1921	90,734.90	
Madawaska ¹⁰	3,545,454.00	3,421,353.00	Apr. 1, 1921	June 30, 1921	62,681.28	14,359.66
Total.....					169,090.99	14,359.66
Grand total.....					587,739.78	147,344.25

¹ Aisne delivered to War Department Jan. 29 and immediately placed out of commission.
² Tours delivered to War Department Jan. 6 and immediately placed out of commission.
³ Tours delivered to War Department Jan. 21 and immediately placed out of commission.
⁴ Somme in active service to Aug. 12, 1921, then placed out of commission and therefore shown in inactive vessels for current 6 months.
⁵ Cambrai in active service to June 30, 1921, then placed out of commission and therefore shown in inactive vessels for the current 6 months.
⁶ Kilpatrick sold to Stephanaidas Beves Co. on Feb. 3, 1921, for \$33,500.
⁷ Meade sold to Pottsdam Steel Co. Sept. 29, 1921, for \$33,500.
⁸ President Grant redelivered to Shipping Board Mar. 14, 1921. Inactive period of Feb. 26 to Mar. 14 incident to redelivery.
⁹ Cantigny's turbine disabled off Fire Island, N. Y., Feb. 4, 1921, and laid up for repairs. Cost of repairs to low-pressure turbine, \$5,484.38, chargeable to General Electric Co.
¹⁰ Madawaska arrived at New York Mar. 16, 1921, laid up Apr. 1, 1921, for repairs due to collision with the steamship Invincible. Repairs cost \$32,438.75, which amount was billed against the Cosmopolitan Steamship Co. operating the Invincible, the Invincible being held responsible for the accident. Further repairs, including the installation of new boilers, now under consideration. Transferred from Shipping Board to War Department by Executive order June 30, 1921.

RECAPITULATION.

Total cost of operating expenses (15 trips).....	\$987,150.58
Total estimated cost overhead expenses.....	48,357.40
Total.....	1,015,508.00
Less difference in cost of operation at present time:	
Reduction in wages of crew, 25 per cent.....	\$74,670.89
Reduction in cost fuel, 53 per cent.....	145,044.06
Reduction in cost class A supplies, 25 per cent.....	8,590.55
Deduction of receipts from passengers for subsistence.....	76,728.37
Total deductions.....	315,030.87
Net cost.....	700,477.22
Average cost per round trip now (15).....	46,698.48
Panama vessels included in this report.....	

TABLE B.—United States Army Transport Service—Operation costs, Pacific service, Jan. 1, 1921 to June 30, 1921.

Name of vessel.	Voyage.		Fuel.		Water.		Oil.		Quar- master supplies.	Subsist- ence.	Laundry.	Trip repairs.	Pilotage.
	From—	To—	Oil.	Value.	Tons.	Value.	Gallons.	Value.					
Edgemoor.....	Jan. 19, 1921	June 6, 1921		\$65,915.08	1,278	\$236.35	563	\$540.21	\$15,293.58	\$6,068.43	\$137.47	\$19,058.78	\$620.43
Do.....	June 9, 1921	June 30, 1921	16,698 5,137	9,478.58	247	55.65	397	356.14	2,295.31	3,420.92	110.57	1,254.51	376.71
Buford.....	Feb. 17, 1921	Mar. 17, 1921	890	13,095.00	1,650	12.00	168	58.80	2,166.40	8,514.12	46.82	5,905.40	332.84
Do.....	Mar. 18, 1921	Apr. 21, 1921	916	14,683.35	56	11.20	258	100.00	3,569.98	8,158.52	74.36	4,622.12	331.17
Do.....	Apr. 30, 1921	June 1, 1921	1,269	18,692.64	1,000	15.33	454	194.76	4,800.00	9,575.02	130.89	4,489.88	378.84
Do.....	June 11, 1921	July 3, 1921	1,069	16,014.66	1,000	20.00	358	180.69	3,013.92	7,136.05	87.35	7,821.62	331.34
DK.....	Mar. 6, 1921	May 31, 1921	2,055	30,537.75	2,683	58.00	351	198.82	1,629.84	6,943.56	263.19	4,313.16	595.15
Do.....	June 1, 1921	June 12, 1921	1,456	18,135.33	1,470	153.25	213	120.89	3,428.12	2,176.43	50.23	891.50	416.19
Matawaska.....	Feb. 24, 1921	Mar. 31, 1921	1,395	30,540.49	.....	54.00	593	332.18	2,502.43	7,707.82	505.03	235.78	397.72
Do.....	Mar. 18, 1920	Jan. 26, 1921	1,711	28,228.50	680	13.60	239	112.33	7,543.61	15,039.03	713.87	5,944.67	328.33
Sheridan.....	Jan. 27, 1921	Feb. 25, 1921	1,393	22,995.50	540	10.80	269	97.72	1,142.03	13,567.09	.....	1,313.74	345.66
Do.....	Feb. 26, 1921	Mar. 28, 1921	1,342	22,143.00	480	9.60	275	162.80	2,675.33	9,262.75	1,469.72	20,938.76	330.66
Sherman.....	Dec. 21, 1920	Mar. 17, 1921	5,075	85,068.60	1,452	335.24	700	317.71	6,904.25	30,323.32	1,012.00	8,966.40	420.29
Do.....	Apr. 5, 1921	June 8, 1921	3,585	58,868.21	3,715	151.80	644	392.96	9,928.63	35,124.89	1,030.71	17,509.80	571.63
Thomas.....	Feb. 5, 1921	Apr. 17, 1921	4,088	70,277.36	2,708	215.22	878	593.10	12,294.63	28,667.35	1,129.35	9,060.85	524.98
Do.....	May 5, 1921	July 14, 1921	4,390	68,147.63	4,017	132.80	837	416.37	10,310.91	35,143.55	1,292.96	5,392.33	518.25
Logan.....	Feb. 15, 1921	May 19, 1921	1,580	60,280.02	2,094	188.65	608	424.48	6,121.36	.....	.....	.....	.....
Total.....			32,513	33,038.20	24,040	1,673.49	7,745	1,419.97	98,701.01	267,261.11	8,063.52	118,120.76	7,405.67

TRANSPORT SERVICE OF THE GOVERNMENT.

TABLE B.—United States Army Transport Service—Operation costs, Pacific service, Jan. 1, 1921, to June 30, 1921—Continued.

Name of vessel.	Voyage.		Wharf-ago.	Towage.	Painting and cleaning.	Salaries.			Stevedoring.	Miscellaneous.	Total.	Overhead.	Grand total.
	From—	To—				Officers United States Army.	Enlisted men.	Ship's officers and crew.					
Edgemoor.....	Jan. 19, 1921	June 6, 1921		\$151.50	\$1,503.69		\$95.98	\$23,621.59	\$20,751.55	\$19.77	\$153,002.31	\$7,650.11	\$160,652.42
Do.....	June 6, 1921	June 30, 1921	\$245.85	573.25	1,801.46	39.00	6,700.01	3,012.73	3,411.89	311.20	28,411.89	1,490.59	29,902.48
Buiford.....	Feb. 17, 1921	Mar. 17, 1921		638.75	447.50	302.80	11,274.15	3,229.24	48,668.31	231.25	50,507.30	2,324.41	52,831.71
Do.....	Mar. 18, 1921	Apr. 1, 1921		71.75	500.00	348.75	13,737.39	3,772.70	50,507.30		60,462.45	3,023.12	63,485.57
Do.....	Apr. 30, 1921	June 1, 1921	695.69	36.75	200.00	685.08	16,446.53	3,681.36	60,462.45		67,970.79	3,598.50	71,569.29
Do.....	June 1, 1921	July 3, 1921		3.00	200.00	372.20	13,343.27	2,589.16	67,970.79		81,390.10	4,289.00	85,679.10
Dix.....	Mar. 6, 1921	May 31, 1921		341.45	885.00	858.17	23,562.35	13,804.46	81,390.10		92,466.62	4,473.33	96,940.09
Madavaska.....	June 1, 1921	June 31, 1921		70.85		518.67	9,338.12	9,732.84	92,466.62		102,200.46	5,000.00	107,200.46
Madavaska.....	Fek. 24, 1921	Jan. 12, 1921		140.00		450.00	24,873.61	4,338.75	102,200.46		117,532.67	5,816.33	123,349.00
Sheridan.....	Nov. 18, 1920	Jan. 26, 1921	152.43	3.00	1,266.71	641.06	15,469.77	4,498.20	117,532.67		122,030.87	3,216.35	125,247.22
Do.....	Jan. 27, 1921	Feb. 25, 1921		127.25	1,062.50	311.99	15,469.77	3,910.23	122,030.87		130,941.06	2,629.72	133,570.78
Do.....	Feb. 26, 1921	Mar. 28, 1921		78.00	917.45	524.34	16,752.90	3,323.30	130,941.06		134,764.36	10,001.04	144,765.40
Sherman.....	Dec. 21, 1920	Mar. 17, 1921		116.00	862.40	1,943.55	46,289.90	3,885.50	134,764.36		141,669.86	7,881.47	149,551.33
Do.....	Apr. 5, 1921	June 8, 1921		3.00	1,032.00	1,960.00	42,699.92	88.50	141,669.86		147,881.26	9,360.31	157,241.57
Thomas.....	Feb. 5, 1921	Apr. 17, 1921		82.75	2,212.50	2,042.12	41,160.15	2,928.75	147,881.26		150,810.01	9,360.31	160,170.32
Do.....	May 5, 1921	July 14, 1921		3.00	1,865.75	821.33	45,747.25	3,129.30	150,810.01		153,939.31	9,105.64	163,044.95
Logan.....	Feb. 15, 1921	May 19, 1921		6.00	2,028.98	2,480.11	48,369.79	3,425.70	153,939.31		157,365.01	8,356.16	165,721.17
Total.....			1,096.87	2,446.30	15,172.94	10,964.86	429,781.49	86,930.35	1,704,313.12	4,207.11	1,708,520.23	85,215.59	1,793,735.82

Wholly inactive vessels, Pacific service:	Name of vessel.	Date out of commission.		Present value.	Original cost.	Expenses out of commission, Jan. 1 to June 30, 1921.	Estimated expenses out of commission, July 1 to Dec. 31, 1921.
		From—	To—				
Great Northern ¹		Jan. 1, 1921	June 30, 1921	\$2,057,363.00	\$2,131,983.00	\$38,690.00	\$2,929.00
Crook ²		do	June 30, 1921	110,000.00	240,000.00	15,877.50	1,186.00
Sheridan ³		Apr. 1, 1921	June 30, 1921	165,000.00	660,000.00	10,676.25	6,186.00
Total.....						65,243.75	9,114.00

¹ Great Northern, transferred to Navy July 29, 1921, by Executive order.
² Crook sold to Seven Seas Steamship Co., June 20, 1921, for \$110,000.
³ Sheridan, placed in the wholly inactive list Apr. 1, 1921, for sale

RECAPITULATION.

Total cost of operating expenses.....	\$1,704,313.12
Total estimated cost overhead expenses.....	85,215.65
Total	1,789,528.77
Less difference in cost of operation at present time.....	
Reduction in wages of crew, 15 per cent.....	\$64,467.22
Reduction in cost of fuel, 35 per cent.....	325,510.26
Reduction in cost class A supplies, 25 per cent.....	24,675.26
Deduction receipts from passengers for subsistence.....	189,973.91
	<hr/>
	584,626.65
Net total 17 trips	1,204,902.14
Average cost per round trip.....	70,876.59

TABLE C.—United States Army Transport Service.—Operating cost of Army Transports between New York and Panama, Jan. 1 to June 30, 1921.

Transport.	Voyage.		Fuel.		Water.		Oil.		Quartermaster supplies.	Subsistence.	Laundry.	Trip repairs.	Photage.
	From—	To—	Oil.	Value.	Tons.	Value.	Gallons.	Value.					
Somme.....	Jan. 12	Feb. 3		\$22,585.00	1,836	\$259.00	300	\$194.00	\$1,450.00	\$9,104.12	\$388.08	\$850.00	\$495.00
Santa Leonora.....	Jan. 20	Feb. 9	5,019	5,077	1,161	493.30	418	217.36	1,200.00	10,304.64	621.14	750.00	369.10
St. Mihiel.....	Jan. 10	Mar. 2	6,651	24,475.68	2,208	599.90	785	408.30	1,538.43	9,018.85	578.43	850.00	290.92
Santa Leonora.....	Feb. 19	Mar. 16	6,055	13,623.75	4,000	160.00	403	299.56	1,541.77	4,633.17	288.99	68.62	567.17
St. Mihiel.....	Mar. 10	Mar. 30	5,488	27,140.96	2,949	687.90	839	436.28	1,823.50	10,084.22	714.52	850.00	383.68
Do.....	Apr. 12	May 5	5,435	8,869.55	1,924	446.10	813	407.38	2,128.64	11,116.45	861.05	850.00	383.14
Do.....	May 10	May 31	5,396	10,134.46	1,466	283.20	655	406.10	3,430.89	8,536.17	632.89	548.01	367.02
Cauntyg.....	June 10	June 28	6,606	12,355.86	415	117.00	205	87.80	3,982.74	6,740.24	408.26	850.00	276.58
Total			46,167	137,389.76	12,359	2,966.40	4,418	2,456.68	12,096.17	69,534.86	4,491.36	5,616.63	3,132.61

TABLE B.—United States Army Transport Service—Operation costs, Pacific service, Jan. 1, 1921, to June 30, 1921—Continued.

Name of vessel.	Voyage.		Wharf- age.	Towage.	Painting and cleaning.	Salaries.			Steward- ing.	Miscel- laneous.	Total.	Overhead.	Grand total.
	From—	To—				Officers United States Army.	Enlisted men.	Ship's officers and crew.					
Edgemoor.....	Jan. 19, 1921	June 6, 1921	.....	\$151.50	\$1,503.69	\$85.98	\$23,621.59	\$20,751.55	\$19.77	\$153,002.31	\$7,650.11	\$160,652.42
Do.....	June 6, 1921	June 30, 1921	.....	573.25	180.46	39.00	6,700.01	3,012.73	311.20	28,832.48	1,420.59	29,832.48
Buford.....	Feb. 17, 1921	Mar. 17, 1921	\$245.86	638.75	447.50	302.80	11,274.15	3,226.24	231.25	46,688.31	2,324.41	49,022.72	
Do.....	Mar. 18, 1921	Apr. 21, 1921	.....	71.75	500.00	348.75	13,727.39	3,772.70	.....	50,462.30	2,523.36	53,035.66
Do.....	Apr. 30, 1921	June 1, 1921	698.59	36.75	200.00	695.08	16,446.55	3,589.16	.....	90,462.45	3,023.12	93,485.57
Do.....	June 1, 1921	July 3, 1921	.....	3.00	200.00	372.20	13,343.27	2,591.36	.....	51,970.79	2,598.53	54,569.32
Dix.....	June 6, 1921	May 31, 1921	.....	341.45	835.00	868.71	23,562.38	13,804.46	.....	85,380.10	4,269.00	89,649.10
Do.....	June 1, 1921	June 12, 1921	.....	70.85	.....	535.57	11,938.12	9,783.46	.....	69,466.76	3,473.33	72,940.09
Madavaska.....	Feb. 24, 1921	Mar. 31, 1921	.....	140.00	.....	582.00	24,873.61	7,524.84	.....	92,862.62	4,643.13	97,505.75
Sheridan.....	Nov. 18, 1920	Jan. 26, 1921	.....	3.00	1,286.71	641.06	27,837.04	4,358.75	.....	64,327.64	3,216.33	67,544.02
Do.....	Jan. 27, 1921	Feb. 25, 1921	.....	127.25	1,917.45	316.49	15,409.77	4,488.20	.....	200,020.93	2,929.72	202,950.65
Do.....	Feb. 26, 1921	Mar. 17, 1921	.....	78.00	.....	341.99	16,752.90	3,910.26	.....	58,594.43	2,929.72	61,524.15
Sherman.....	Dec. 21, 1920	Mar. 17, 1921	.....	116.00	.....	1,943.55	46,289.90	3,323.30	.....	200,020.93	10,001.04	210,021.97
Do.....	Apr. 5, 1921	June 8, 1921	.....	3.00	.....	1,144.30	42,696.92	88.50	.....	157,629.45	7,881.47	165,510.92
Thomas.....	Feb. 5, 1921	Apr. 17, 1921	.....	82.75	2,412.50	1,325.47	41,160.15	2,928.75	.....	187,206.33	9,360.31	196,566.64
Do.....	May 5, 1921	July 14, 1921	.....	3.00	.....	1,303.58	45,747.25	3,129.30	.....	182,112.83	9,105.64	191,218.47
Logan.....	Feb. 15, 1921	May 19, 1921	.....	6.00	2,028.98	2,480.11	48,399.79	3,425.79	.....	167,123.12	8,356.16	175,479.28
Total.....	.....	.....	1,096.87	2,446.30	15,172.94	10,964.86	429,781.49	86,930.35	4,207.11	1,704,313.12	85,215.59	1,789,528.71

Wholly inactive vessels, Pacific service:	Date out of commission.		Expenses out of commission, Jan. 1 to June 30, 1921.	Estimated expenses out of commis- sion, July 1 to Dec. 31, 1921.
	From—	To—		
Great Northern 1.....	Jan. 1, 1921	June 30, 1921	\$38,690.00	\$2,928.00
Crook 2.....	.....	June 20, 1921	15,877.50	.....
Sheridan 3.....	Apr. 1, 1921	June 30, 1921	10,676.25	6,186.00
Total.....	.....	.....	65,243.75	9,114.00

1 Great Northern, transferred to Navy July 29, 1921, by Executive order.
 2 Crook, sold to Seven Seas Steamship Co., June 20, 1921, for \$110,000.
 3 Sheridan, placed in the wholly inactive list Apr. 1, 1921, for sale

RECAPITULATION.

Total cost of operating expenses.....	\$1,704,313.12
Total estimated cost overhead expenses.....	85,213.65
Total.....	1,789,526.77
Less difference in cost of operation at present time:	
Reduction in wages of crew, 15 per cent.....	\$64,467.22
Reduction in cost of fuel, 35 per cent.....	335,510.25
Reduction in cost class A supplies, 25 per cent.....	141,673.25
Deduction receipts from passengers for subsistence.....	196,973.91
	584,626.63
Net total 17 trips.....	1,204,900.14
Average cost per round trip.....	70,876.59

TABLE C.—United States Army Transport Service.—Operating cost of Army Transports between New York and Panama, Jan. 1 to June 30, 1921.

Transport.	Voyage.		Fuel.		Water.		Oil.		Quarter-master supplies.	Subsistence.	Laundry.	Trip repairs.	Photage.
	From—	To—	Oil.	Value.	Tons.	Value.	Gallons.	Value.					
Somme.....	Jan. 12	Feb. 3	<i>Barricks</i>	\$22,585.00	1,836	\$259.00	300	\$104.00	\$1,450.00	\$9,104.12	\$388.08	\$350.00	\$495.00
Santa Leonora.....	Jan. 20	Feb. 9	5,019	25,234.50	1,161	493.30	418	217.36	1,200.00	10,304.64	621.14	750.00	369.00
St. Mihiel.....	Feb. 10	Mar. 2	6,657	24,475.63	2,208	509.90	785	408.20	1,538.43	9,018.85	578.43	850.00	290.92
Santa Leonora.....	Feb. 19	Mar. 16	6,055	13,623.75	2,470	180.00	403	209.56	1,541.77	4,633.17	288.96	68.62	567.17
St. Mihiel.....	Mar. 10	Mar. 30	5,488	27,140.96	2,949	687.90	830	436.28	1,824.50	10,084.22	714.52	850.00	383.68
Do.....	Apr. 12	May 5	5,433	8,869.55	1,924	446.10	813	407.38	2,128.84	11,116.45	861.05	850.00	383.14
Do.....	May 10	May 31	5,376	10,134.46	1,466	293.20	655	408.10	3,438.89	8,536.17	682.86	548.01	367.02
Cantigny.....	June 10	June 28	6,608	12,355.86	415	117.00	200	67.80	862.74	6,740.24	468.26	850.00	276.58
Total.....			46,167	137,389.76	12,359	2,966.40	4,418	2,456.68	12,068.17	69,534.86	4,491.36	5,616.63	3,132.61

TABLE C.—United States Army Transport Service—Operating cost of Army Transports between New York and Panama, Jan. 1 to June 30, 1921—Continued.

Transport.	Voyage.		Wharf- age.	Towage.	Painting and cleaning.	Salaries and wages.			Stevedor- ing, load- ing and unloading.	Inci- dentals.	Total.	Lay days in New York.
	From—	To—				Officers, United States Army.	Enlisted men.	Ship's officers and crew.				
Somme.....	Jan. 12	Feb. 3	\$272.80	\$255.00	.....	\$680.30	\$150.98	\$13,250.13	\$2,974.13	\$1,660.85	\$54,569.39	.....
Santa Leonora.....	Jan. 20	Feb. 9	277.50	50.00	\$198.34	505.56	126.60	10,677.60	3,909.21	34.15	56,939.00	.....
St. Michel.....	Feb. 10	Mar. 2	273.60	269.00	198.17	198.64	274.82	21,020.55	3,318.80	193.76	62,437.73	7
Santa Leonora.....	Feb. 19	Mar. 16	294.58	.....	.....	320.05	99.60	13,876.98	3,365.39	10.83	40,061.43	.....
St. Michel.....	Mar. 10	Mar. 30	268.80	.....	.....	824.92	588.12	21,766.48	8,047.71	107.24	64,854.33	5
D.O.....	Apr. 12	May 5	342.00	222.65	30.71	488.13	191.97	18,661.38	4,416.81	63.84	49,570.00	.....
D.O.....	May 10	May 31	168.80	205.00	.....	382.60	235.20	18,736.20	2,841.89	47.51	46,966.14	.....
Cantigny.....	June 10	June 28	336.00	190.00	50.69	794.35	267.56	15,465.36	2,978.59	854.73	42,743.70	5
Total.....			2,234.08	1,211.65	477.91	4,394.75	1,924.85	132,474.68	34,856.53	2,972.88	418,141.80	17

The lay days in New York are the days when vessels were not loading or discharging cargo; cost is included in voyage expenses.
 The cost of wages—pay of crew—has been reduced since August 1, 1921, by 25 per cent, which allows a reduction in operating expenses at this date of \$33,118.64 for the eight trips.
 The cost of fuel oil has been reduced since August to \$1.40 per barrel, or over 53 per cent of the average cost of oil consumed from January 1 to June 30, 1921; this would allow a reduction in operating expenses of approximately \$72,943.36 for the eight trips.
 The cost of subsistence supplies, class 'A', supplies has also been reduced, which would probably allow a reduction of \$2,910.57 for operation at this date.
 The cost of subsistence supplies, \$69,534.50, includes also the cost of subsistence of passengers as well as the crew; this item can be reduced \$43,334.88 against the operating expenses of the vessels, having been paid by passengers.
 There were no idle ships chargeable to the Panama run during this period.

Overhead cost chargeable to Panama transports from Jan. 1, 1921, to June 30, 1921.

[Data obtained from statistical section, discontinued June 30, 1921.]

Somme, January.....	\$2,614.75	St. Michel, April.....	2,195.47
Santa Leonora, January.....	2,318.41	St. Michel, May.....	2,415.86
St. Michel, February.....	2,809.64	Cantigny, June.....	2,028.14
Santa Leonora, February.....	2,233.31	Total.....	19,332.64
St. Michel, March.....	2,715.76		

RECAPITULATION.

Total cost of operating expenses (8 trips).....	\$418,141.80
Total cost of overhead expenses (8 trips).....	19,332.64
Total.....	437,474.44
Less difference in cost of operation at present time.....	152,907.43
Total.....	284,567.01
Average cost per round trip now.....	35,908.37

WAR DEPARTMENT,
WAR DEPARTMENT GENERAL STAFF,
SUPPLY DIVISION G-4,
Washington, October 13, 1921.

MEMORANDUM FOR THE A. C. OF S., G-4.

Subject: Operating cost of Army Transport Service between New York and Panama.

1. With reference to your memorandum of September 18, 1921, asking whether it pays to keep up the transport service to Panama, the following data furnished by the Quartermaster General is submitted:

The total cost of operating from January to July, 1921, was \$43,934.86 paid for subsistence by passengers, or \$374,206.94. This sum includes the cost of fuel, water, oil, quartermaster supplies, subsistence, laundry, trip repairs, pilotage, wharfage, towage, painting, cleaning, salaries, and wages of officers, enlisted men, ships' officers and crews, stevedoring, incidentals, and overhead cost. The estimated reduction in operating cost at the present time is \$108,972.57, which would make the present cost \$265,234.37.

During this period 6,052 Army passengers and 18,950 tons of cargo were carried, which, at average commercial rates, would have cost \$921,957.50. The above passengers include only Army passengers traveling under orders, and Army cargo, excluding miscellaneous and other departments. The rates used are based on the lowest commercial rates of April 21, 1921. The present commercial rates have not been figured.

It would appear from the above that during the period January 1, 1921, to June 30, 1921, the service made a saving of \$547,750.56, or 59 per cent. The estimated reduction in operating cost at the present time would require a reduction of over 71 per cent in commercial rates to make the transport service show a loss.

2. It would appear from the above that it does pay to keep up the Panama service.

EDW. T. HARTMANN,
Colonel, General Staff.

TRANSPORT SERVICE OF THE GOVERNMENT.

TABLE D.—Schedule of passenger and cargo rates, etc., based on commercial rates as at this date and on cost of operations of Army Transport Service (Pacific) for six months ended June 30, 1921.

Route.	A.		B.		C.		Minors A.		Minors B.		General cargo.	
	United States Army transport.	Com-mercial.	United States Army transport.	Com-mercial.	United States Army transport.	Com-mercial.	United States Army transport.	Com-mercial.	United States Army transport.	Com-mercial.	United States Army transport.	Com-mercial.
1. Guam to Manila.	\$76.65	\$170.00	\$66.75	\$148.00	\$38.32	\$85.00	\$38.32	\$85.00	\$33.37	\$74.00	\$2.25	\$5.00
2. Honolulu to Guam.	165.32	366.66	113.02	250.67	62.29	138.16	82.66	183.33	75.14	166.56	5.41	12.00
3. Honolulu to Manila.	90.17	200.00	150.29	333.33	82.66	183.33	45.08	100.00	39.45	87.50	7.21	16.00
4. Honolulu to San Francisco.	90.17	200.00	78.90	175.00	45.09	100.00	45.09	100.00	83.94	186.16	2.93	6.50
5. Honolulu to Seattle.	184.96	409.33	167.88	372.33	92.28	204.67	92.28	204.67	83.94	186.16	7.21	16.00
6. Manila to Nagasaki (Yokohama).	64.62	143.33	69.36	131.66	35.69	78.16	35.69	78.16	94.01	208.50	3.38	7.50
7. Manila to San Francisco.	206.66	458.33	188.02	417.00	103.33	229.16	103.33	229.16	94.01	208.50	7.21	16.00
8. Nagasaki (Kobe) to Honolulu.	135.86	301.33	129.85	288.00	73.57	163.16	73.57	163.16	81.31	180.33	7.21	16.00
9. Nagasaki (Kobe) to San Francisco.	175.99	390.33	162.62	360.66	92.51	205.17	92.51	205.17	81.31	180.33	7.21	16.00
10. San Francisco to Guam.	190.38	422.67	173.44	394.87	95.29	211.34	95.29	211.34	86.72	192.33	2.93	6.50
11. San Francisco to Honolulu.	90.17	200.00	78.90	175.00	45.09	100.00	45.09	100.00	39.45	87.50	7.21	16.00
12. San Francisco to Manila.	206.66	458.33	188.02	417.00	103.33	229.16	103.33	229.16	94.01	208.50	7.21	16.00
13. Seattle-Port Townsend to Honolulu.	90.17	200.00	78.90	175.00	45.09	100.00	45.09	100.00	39.45	87.50	2.93	6.50
14. Tacoma to Honolulu.	90.17	200.00	78.90	175.00	45.09	100.00	45.09	100.00	39.45	87.50	2.93	6.50

Total cost at Army transport rates..... \$1,755,967.85
 Total cost at commercial rates..... 3,894,378.48
 Coastwise and intercoastal voyages not included.
 Computation of Pacific service cost by water transport division..... 1,789,538.71
 Balance in favor of Army Transport Service..... 33,760.86
 Shipping Board estimate 1.38 per cent less than Army Transport Service cost.

Mail, Army transport rate, \$1.60; commercial rate, \$1.60. Prints, Army transport rate, \$0.08; commercial rate, \$0.08. Money, Army transport rate, 0.125 per cent; commercial rate, 0.125 per cent. Cold storage Army transport rate, \$0.02. Remains same rate as for first-class civilian.

STATEMENT OF MR. IRA CAMPBELL, OF NEW YORK, REPRESENTING THE AMERICAN STEAMSHIP OWNERS' ASSOCIATION.

Mr. CAMPBELL. I just want to suggest that these gentlemen who have last spoken, their attitude is not that of a copartner with the Shipping Board in the shipping business; it is that of an antagonist.

The question that you people are facing is a simple business problem, sitting here on behalf of the owners of these two groups of ships. These transports do not belong to the War Department and these merchant ships do not belong to the Pacific Mail and to the Shipping Board; they belong to the United States Government. And what have you got? You have a quarrel between two departments as to who shall operate these ships. You have your Congress and your people behind you committed to a program for the upbuilding of an American merchant marine, and all this bill proposes is to put behind that American merchant marine the resources of the United States Government; and that is all. And the War Department stands out against it. It does not want to put its resources behind the merchant marine; it wants to maintain a special service, apparently, for its own special benefit.

Now, the M. O. 4 contract has nothing at all to do with this problem. The M. O. 4 agreement happens to be the contract basis by which compensation is made to these men who are doing the operating work for the Shipping Board. If that agreement is wrong it can be corrected. If that is not the proper basis of compensation it lies in the hands of the Shipping Board to change it, and I believe there are brains enough in this country to draw a proper and fair contract that will give a proper and fair compensation. So that when you hinge this whole problem here around a consideration of the terms and conditions of the contract M. O. 4 I think you are entirely beside the question.

Now, what is the situation you have? The Shipping Board, during the war, contracted for at least ten 535-foot ships, and I say they were contracted for as troop ships. If they were not contracted for as troop ships they never would have been designed as they are designed, and no commercial man would have ever designed the type of ships they have there to-day. It is true the war is over and something had to be done with those ships. The Shipping Board believed it was going to be less costly to the Government to go on and complete them as commercial vessels than it was to cancel the contracts, and so they have completed those vessels as commercial vessels, in the most efficient manner. Congress, backed up by the opinion of the American people, has put on the statute books an act which says we shall develop and maintain an American merchant marine, and Congress has created not the Panama Railroad Co., under the War Department, to carry on that business, but the Shipping Board, and it has placed those ships in the hands of the Shipping Board. And what are they doing with them? Following out that very bill, they have said there are at least two services in which these vessels could be put, one the Seattle service and the other the San Francisco service, for the purpose of developing that trade.

Gen. DOWNEY. If your vessels are built as transports you never would make a cent on them as cargo carriers.

Mr. CAMPBELL. That may be true, but we can lose less money, if you back us up, than if you do not back us up; and that is the problem we are facing.

Gen. DOWNEY. This is the third time we have faced it on you.

Mr. CAMPBELL. That may be true. But when you say you are facing it on us you are facing it just as well as we are; it is just as much your problem as it is mine, and it is just as much a problem of the War Department as it is of the Shipping Board. And we must pool your resources, and unless you pass some bill like this we never can pool your resources.

Gen. DOWNEY. I might say at the end of one year—I will give you two years—these transports will all be gone and these ships will be turned back, because you have not been able to make them a go.

Mr. CAMPBELL. Turned back to whom?

Gen. DOWNEY. Turned back to the Shipping Board.

Mr. CAMPBELL. The Shipping Board has got them now, and it is not going to get rid of them.

Gen. DOWNEY. No; but they will have to take them back, for the reason they are not going to make them a go on that basis. Consequently, you will have no transport service to do any of that for you.

Mr. CAMPBELL. The Shipping Board can never make it a go unless they have the other departments of the Government back them up; that is certain.

You have five ships operating out of Seattle and five out of San Francisco, carrying what? Cargo and passengers. And what has the War Department got to ship to Manila? Cargo and passengers. And what is it doing to-day under this system? It is shipping cargo and passengers out there, half filling its ships, and bringing them home empty. What is the Shipping Board doing to-day? It is sending these ships out there half filled and bringing them home half empty. The United States Government, by reason of the inability of the two departments of the Government to get together—and they won't get together unless you pass that bill—are operating two steamers in the same trade where there is only business enough to keep one employed. It is a physical impossibility, and that is one reason why the transports should be laid up; the old ships should be laid up and be put in "ordinary" and held in reserve for this war that seems to be anticipated or this need of carrying troops to Japan or elsewhere. I do not have any desire to send them to the bone yard, but they should at least be held in reserve, like they hold naval vessels in reserve.

Gen. DOWNEY. You can not hold transports in reserve, because then they are gone to pieces, or will be gone to pieces within six months if they are laid up.

Mr. CAMPBELL. If your transports have gone to that condition so that they will go to pieces if they are laid up for six months, then they ought to be junked and it is time to ask the Shipping Board to turn over to your department some of these new vessels.

Gen. DOWNEY. To lay up any boat for six months, you might as well lay it up for six years.

Mr. CAMPBELL. I do not believe that, General. If that is true, then God help the American merchant marine.

Gen. DOWNEY. At least for half of the boats that is true.

Mr. CAMPBELL. I do not know anything about that. But however that may be, unless you pass this bill or some such bill which directs the War Department to give up this Transport Service and turn it over to the Shipping Board, unless it is a physical impossibility for the Shipping Board to give adequate service, then you are never going to get behind those ships the backing it ought to have from the Government. On your own figures here you are sending out not so many troops but what it would seem as though these vessels could carry them. You are not engaged in a war at the present time, and this proposal is not a proposal made in the expectation of war. It is a peace proposal, and certainly at this time, with 17,000 soldiers in the Philippines, you do not have to have such a tremendous troop movement all the time but what 14 535-foot ships can be equipped with accommodations so as to transport those men out there and back. And I say, unless this bill is passed, which forces the Shipping Board and the War Department together, to figure out whether or not it is a physical possibility to convert the ships so as to perform the service, that it never will be done.

And if it can physically be done, instead of the waste of the dead ships in a semiserviceable condition, the money the War Department is paying now for running these old ships, which you say will go to pieces in six months, will go into the coffers of the Shipping Board and help build up this service. It may be in the end you could not maintain the service with these 535-foot ships, but if it can not be done with assistance, it certainly can not be done without assistance.

And it is not going to sell to private owners until you convince the private operator of the vessel it can be made a successful commercial business. You are pledged to private ownership, and that is the goal for which every man sitting around this table is striving at the present time, and you are not going to reach that goal until you hand the shipping people a business proposition, and you are not going to be able to bare boat charter those vessels to the shipping people, and you are certainly not going to be able to sell them to the shipping people, until they figure out they can at least pay operating expenses, and they know they can not do it to-day. But if you pass that bill and put behind them the War Department, you may be able to demonstrate these ships can be made to pay, and then you can find American buyers. That, to my mind, is the meat of the coconut in regard to the whole situation in regard to the Pacific service.

In the Caribbean section you have a simple problem as to whether or not the United States Government wants to keep in the commercial business or wants to go out of the commercial business. Your present administration is pledged to going out of the commercial business, and I think the past administration was, too. Certainly your Jones Act is directed that way. Now, so long as private enterprise can carry the supplies to the Panama Canal, and it is nothing but merchandise, so long as it is physically possible to carry it with merchant ships to the canal, to carry the supplies that the canal needs for operation, then there is no reason why the Panama Steamship Co. or the Panama Railroad Co. must operate merchant ships, unless the United States wants to keep in the commercial business.

Now, if you retain the Panama Steamship Co. in business, it is because you want to pledge yourself to that policy. If you do, then reverse yourself and repeal the Jones Act and backtrack on the Jones Act. But you have pledged yourselves to the opposite course, and the only thing you can do, consistent with your Jones bill, and consistent with the pledge that has been made to the people, is to withdraw that steamship company completely from that business. And certainly if you do not withdraw it completely from that business, you ought not to place in the hands of one branch of the Government an instrument that, through the refusal of that department to cooperate with the Shipping Board, is going to be used as a destructive instrument to drive out Shipping Board vessels and privately owned vessels from that trade which ought to be, as Mr. Rossbottom says, an American trade. If there is any trade at hand which American ships ought to have, it certainly is the trade in the West Indies, and why place and leave in the hands of one governmental agency the power to destroy another governmental agency? Why, these ships are not being operated for the pride of opinion of the manager of the Panama Steamship Line or the chairman of the United States Shipping Board; they are being operated for the benefit of the United States Government. If you do not eliminate the steamship company primarily from that business and take the Government out of business, which you have pledged the people you are going to do, at least put the Panama Steamship Co. under such restrictions that it will not be a fighting machine against the honest and earnest efforts of the Shipping Board to maintain that service and against the efforts of private ship operators.

That is your whole problem, and I say you are not going to accomplish that if you leave the law as it is; and the only way you can accomplish it is by passing that bill or some such bill.

Now, there are two amendments I want to suggest to go into the record. The first change is, in lieu of the first section—I may say the reason I redrafted the first section is this, primarily, the first section of this bill leaves the War Department in the transport business until the Shipping Board finds it is possible to utilize the transports and the President deems it advisable to discontinue those lines. In other words, you are not going to get the Army out of the business until the President acts; and we know, from what we have heard to-day, that the President will have all sorts of arguments put up to him as to why the Army should be left in there. I propose to change that and suggest this amendment in lieu of that:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 17 of the merchant marine act, 1920, shall be amended by adding new paragraphs as follows:

1. To develop and encourage the maintenance of a merchant marine all members and employees of the diplomatic, consular, and other services of the United States, and all officers, troops, equipment, and supplies of the United States shall hereafter be transported only in vessels documented under the laws of the United States and operated by the United States Shipping Board or by a citizen of the United States: *Provided*, That the War and Navy Departments may utilize their own transports if and when merchant vessels as aforesaid are insufficient or unavailable, and the President so orders.

In other words, I want to put the burden upon the War Department to demonstrate to the President of the United States that the Shipping Board can not furnish the facilities, and that in turn will

put the Shipping Board on its metal, and then you will get those two groups together to work out the physical proposition as to whether or not these 535-foot ships can not be fitted to carry, in the course of a year, between San Francisco and Manila, 7,500 men; and if after having fitted those ships so as to convert them, you could not give water-closet accommodations to provide for that number of troops, then it is time the Government found it out, but you won't find it out by taking a negative position.

My other amendment is this: I suggest in lieu of section 2, or what appears as paragraph 5 of section 2, the following—or, rather, I would like to strike out all of section 2 and put what I am going to read as the second paragraph of section 1 of the bill:

All vessels owned and controlled by the Panama Steamship Co. shall within 60 days be transferred to the United States Shipping Board, and all steamship services by said company and by the Panama Railroad Co. shall thereafter be discontinued.

In other words, the effect of that is to put the Panama Steamship Co., as an independent operator, out of business and transfer those vessels to the Shipping Board, so that they will stand in exactly the same position as Shipping Board vessels do to-day, and they will go in and be part of the ultimate solving of this problem. If you are going into private ownership, they will go into private ownership. On the other hand, if you are not going to carry out the policy of private ownership, but are going to keep the Government in commercial business, then section 2 as it is now drawn, or with some slight modification, should stand, because that is the controlling section rather than an eliminating section.

Those are my two suggestions.

The CHAIRMAN. Now, for myself, I will say this: That so far as my experience with military men is concerned, they have notions of their own, and they are drilled in different lines entirely from the men who have spent their lives in the merchant service of the United States. They are taught methods other than those which are exclusively used by business men of the country. Business men do not follow the lines of the Army nor do they follow those set up by the Navy. For these reasons my mind has never been swayed by their impassioned discourses on this and other business subjects. I do, however, rely absolutely upon both military departments of the Government in the consideration of affairs purely military in scope; but there does my reliance rest.

Gentlemen, you who are representing the interests of American shipowners and operators—and I stress the beautiful name "American"—are the very men who must lend the best that there be in you for the successful development of an American mercantile marine. We on this committee are merely legislators, delegated by our Constitution to frame the laws and enact them for the benefit of the United States. But as lawmakers we must necessarily be guided to a very large extent by the greatest and best minds of America—those thoroughly conversant with their respective industries. Without their help and aid we shall fail to keep afloat on the seas a marine sufficient to carry ten per cent of our foreign trade, both exports and imports. And it is generally known, my friends, that a Member of Congress is not gifted with supernatural talents. He

is usually a specialist, and that is all. It is, it seems to me, the duty of every American business executive to cooperate with Congress for the mutual benefit of himself and his Nation. In this instance it would be logical to assume that the greatest responsibility for the establishment of a permanent American merchant fleet rested upon your shoulders, the shoulders of those who are supposed to and do know the trickeries and machinations and other elements which enter into competitive shipping, as in other industries.

I desire to be brief at this time, especially after such a strenuous day as we have had, but I would like to have it generally understood that I stand—and I believe the committee is with me on this point—for a close and intimate relationship with the really genuine American shipowner who has at heart, and only at heart, the true interests of these great United States. As chairman of this committee I cordially invite you, one and all—for I assume that you are all Americans in the highest and strictest sense—to offer sound suggestions for the betterment and enhancement of our fleet which ought to sail the seven seas. And for God's sake, and for our own, stand by us whenever we do succeed in the promotion of useful legislation. In conclusion, it might be well for me to bring to your attention, Congressmen, that the administration in its pledge to the American people, as embodied in the Republican platform of 1920, states that "the national defense and our foreign commerce require a merchant marine of the best type of modern ship, flying the American flag, manned by American seamen, owned by private capital, and operated by private energy," a plank strongly indicative of a thorough comprehension of our national needs by the present administration. Again, I urge you to become more active in the advancement of further essential legislation in order that we may all prosper in the eyes of the whole world at large. Without the proper support from the leading steamship men we are doomed to fail and fail fast, and this, I feel, you would not wish to see happen. Therefore, with my last statement for this busy day, I extend to you the thanks of the committee in anticipation of a whole-hearted response on the part of the shipping men of the country. [Applause.]

(Thereupon the committee adjourned.)

(The following was submitted for the record by Mr. Marvin:)

COMMENTS ON TESTIMONY OF BRIG. GEN. W. D. CONNOR AND COL. A. W. YATES
BEFORE HOUSE COMMITTEE ON MERCHANT MARINE AND FISHERIES, MAY 25,
JUNE 9 AND 16, 1921, ON H. R. 5348.

The testimony of Brig. Gen. Connor and Col. Yates is misleading and the statements submitted, covering the operation of the Army transports, are made in such a way as to be valueless in arriving at the actual cost.

On page 1 and elsewhere in the testimony Gen. Connor lays great stress on necessity of having Army men in charge of transports in time of war.

During the late war millions of troops and tons of freight were transported to France in what has been generally conceded remarkable time, considering conditions. Is it not a fact that nearly every man connected with the loading, transporting, and unloading of these troops and freight was either a civilian or an enlisted man who had only been in the Army a few months? And was it also not a fact that for this very reason the troops and freight moved so quickly and smoothly?

On page 11 Gen. Connor says private concerns "must" pay a dividend on funds invested.

While private companies naturally do try to pay dividends—unfortunately this is not always the case—but is it not reasonable to assume that a private concern, endeavoring to pay such a dividend, would be more apt to try and operate its ships economically than the War Department, who have no such incentive for economy, as the people are taxed for any expenses incurred? Is it not also a fact that lack of business methods generally cause greater expense under Government operation than under private control? The administration of the railroads and Shipping Board would seem to indicate this to be so.

On page 15 Gen. Connor says the transport service rendered was better than it would have been under private operation.

There is nothing in this bill to indicate any intention or desire to have transports operated by private concerns during war. By turning this service over to private companies in time of peace, however, it is building up a service and personnel and providing ships that can be turned over ready for immediate use, and without saddling a heavy unnecessary burden on the taxpayers. In addition, it is encouraging the establishment of an American merchant marine that will be self-supporting and of inestimable value to the entire country and help reduce the enormous cost of the Shipping Board being borne by the public.

On page 23 Gen. Connor states: "We believe the Army transports carry freight at approximately 20 to 25 per cent less than ordinary commercial rates."

This statement is not borne out by figures submitted by him. He shows in Table V, page 29, San Francisco to Manila—33,537 tons at rate of \$16—\$536,592. He has taken the highest rate applicable on general merchandise, whereas the rates on the various commodities shipped would probably not have averaged over \$9 or \$10, or \$201,222 less than he has shown. Besides, he has based his figures on existing rates, whereas under a contract to carry this amount of tonnage the rate would undoubtedly have been materially reduced by a private concern.

On page 26 is shown the voyages of the various transports. This gives 10 round trips to and from Manila, viz, *Logan*, one trip; *Sherman*, three trips; *Thomas*, two trips; *Edgemoor*, two trips; *Dix*, two trips.

The total cargo capacity for these 10 trips was, conservatively speaking, 65,000 tons each way. They carried 33,537 tons westbound, or only 52 per cent of their capacity. Returning, they carried 1,272 tons, or only 2 per cent of their capacity; and taking the total round-trip voyages they only carried 27 per cent of their available capacity, the other 73 per cent being wasted.

It is unbelievable that carrying only one-quarter of a load they could operate as cheaply as a commercial vessel carrying practically full loads.

In Table I, Part II, page 25, is shown "cost of operation," \$2,967,766. There were 11 vessels which would average \$269,797 per vessel per annum, or \$739 per day to cover crew, fuel, stores, stevedoring, etc. In the crew lists, pages 30–32, the total amount is \$1,787,296, an average of \$445.15 per ship per day, leaving only \$293.85 per day for fuel, stores, repairs, stevedoring, interest, etc. The present value of these 10 ships is shown at \$17,705,202, which, at 5 per cent interest, amounts to \$885,260.10, or an average per ship per day of \$220.49, thus leaving \$73.36 for fuel, stores, stevedoring, repairs, and all other expenses. This is manifestly impossible.

In the same table there is shown \$274,540 as "overhead for period of voyages." There were 31 voyages, which would make the overhead \$8,859.36 for voyage.

Apparently no allowance is made for superintendence, clerks, etc.

In Table III, pages 27 and 28, the value of piers, wharves, etc., is given as \$153,721,502. Some of these are leased, and estimating the value of those so leased at \$112,744,250 (as nearly as can be figured from report) this would leave \$40,977,252 as being used, which, at 5 per cent interest, would be \$2,048,862, or \$5,613.32 per day. This is not taken into account.

It is claimed in the testimony there were 11 vessels built at a cost of \$39,000,000, only three of which are in operation. This leaves eight tied up valued at \$28,363,636, which, at 5 per cent interest, would be \$1,418,181.80, to say nothing of depreciation or the cost of looking after them, insurance, etc.

There is given below a statement showing the cost of the transport service as nearly as can be worked out from the incomplete and jumbled statements submitted.

INTEREST.

Value of 11 ships operated, \$17,705,202; interest at 5 per cent.....	\$885,260
Eight vessels of the 11 built tied up, \$28,363,636; interest at 5 per cent.....	1,418,182 ^x
Value of terminals not leased, \$40,977,252; interest at 5 per cent....	2,048,862
Depreciation of 11 operated ships.....	267,213
Depreciation of 8 tied-up ships.....	992,728
Overhead (no details).....	274,540
Wages of crews.....	1,787,296
Other operating costs (no details).....	1,180,470

Total (not including insurance, loss, and damage, repairs, superintendence, etc.).....	8,854,551
Total tons carried, 166,768, or average per ton.....	53.00
Loss compared with commercial rates as shown (which are excessive) per ton, or 130 per cent.....	30.00

To give an example of the excessive cost of operating transports as compared with commercial vessels there is given below a comparative crew list for the transport *Sheridan* and the Pacific Mail *Creole State* for a year. The *Sheridan* is 7,469 gross and 5,624 net, whereas the *Creole State* is 10,533 gross and 6,195 net.

Crew lists of transports "Sheridan" and "Creole State."

Sheridan.	Pay per annum.	Creole State.	Pay per annum.
Executive department:		Executive department:	
1 quartermaster.....	\$2,500	1 captain.....	\$2,200
1 surgeon.....	2,500	1 surgeon.....	1,300
5 hospital men.....	5,000	2 radio men.....	2,180
3 Signal Corps men.....	5,400	1 purser.....	2,100
1 quartermaster clerk.....	1,500	1 freight clerk.....	1,500
1 freight clerk.....	1,500	Deck department:	
Deck department:		4 deck officers.....	8,220
5 officers.....	13,350	1 boatswain.....	960
1 boatswain.....	1,140	4 quartermasters.....	3,600
4 wheelmen.....	4,320	1 carpenter.....	1,020
2 master-at-arms.....	2,160	18 seamen.....	14,220
1 carpenter.....	1,200	Engine department:	
1 yeoman.....	1,080	8 engineers.....	16,800
18 seamen.....	19,440	1 refrigerator engineer.....	1,020
1 storekeeper.....	1,140	1 deck engineer.....	1,020
Engine department:		1 electrician.....	1,020
7 engineers.....	17,880	9 oilers.....	8,640
2 refrigerator engineers.....	2,400	3 water tenders.....	2,880
1 deck engineer.....	1,260	20 firemen.....	21,600
2 electricians.....	2,400	18 coal passers.....	19,440
6 oilers.....	6,480	1 plumber.....	1,200
3 water tenders.....	3,240	1 storekeeper.....	1,080
20 firemen.....	21,600	Steward's department:	
18 coal passers.....	19,440	5 stewards and stewardess.....	6,180
1 plumber.....	1,200	5 storekeepers and scullions.....	5,000
1 storekeeper.....	1,080	9 pantrymen, dishwashers.....	8,000
Steward's department:		35 waiters and messmen.....	25,000
5 stewards and stewardess.....	6,180	13 cooks, silvermen, and barber.....	8,950
5 storekeepers and scullions.....	5,000	4 yeomen, watchmen, etc.....	3,000
9 pantrymen, dishwashers.....	8,000	7 bakers and butchers.....	8,000
35 waiters and messmen.....	25,000		
13 cooks, silvermen, and barber.....	8,950		
4 yeomen, watchmen, etc.....	3,000		
7 bakers and butchers.....	8,000		
Total.....	203,430	Total.....	104,043

The above shows a saving for *Creole State* of \$99,387.

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Worship

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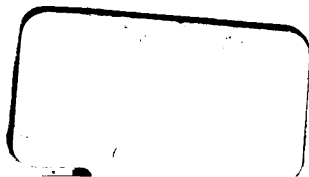
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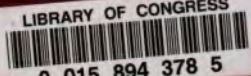
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